

JPRS-CEA-84-021

26 March 1984

China Report

ECONOMIC AFFAIRS



FOREIGN BROADCAST INFORMATION SERVICE

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26 March 1984

CHINA REPORT ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

ZHANG ZINGFU DISCUSSES 1983 ECONOMIC SITUATION

OW061145 Beijing XINHUA in English 1129 GMT 6 Mar 84

[Text] Beijing, March 6 (XINHUA)--China's economic situation last year was the best since 1978, Zhang Jingfu, state councillor and minister in charge of the State Economic Commission, said here today.

Addressing the current meeting of the National People's Congress Standing Committee, Zhang said 1983's economic development was better than expected, with notable achievements in industry, agriculture and other fields.

Grain and cotton output hit all-time highs of 380 million tons and 4.5 million tons. The 1983 cotton output was double that of five years ago. Meanwhile, the rural diversified undertakings and sideline production also scored large gains, he said.

The national ratio between the commodities sold by the peasants and their total agricultural products was 55 percent in 1983, up from less than 50 percent in 1978. Over 25 million households, or 13 percent of the rural total, specialized in grain production, trade and services or other farm work. Commodity production accounted for 70 to 90 percent of their output.

Industry recorded a gross output value of 614.7 billion yuan (over 307 billion U.S. dollars) in 1983, an increase of 10.2 percent over 1982, according to preliminary statistics.

Heavy industrial production rose by 12.1 percent and light industry by 8.4 percent, the minister said, giving balanced development in 1983. Energy and raw and semi-finished materials also showed steady growth, exceeding their annual targets.

The investment pattern for capital construction was somewhat improved in 1983, Zhang said, with 40 percent of the state's annual budgetted investment allotted to energy and transportation.

However, he added, the growth rate of energy production still lagged behind the needs of the economy, although it was rising after some declines in the last few years. Increases in state revenues were also below the country's production growth rate, and the nation's financial capabilities could not

adequately guarantee the needs of major construction projects or provide adequate funds for administrative expenditure and national defense and for cultural and educational work.

The minister held that the slow rise in state income stemmed from the fact that there had been no fundamental turn for the better in improving the economic performance of industrial enterprises. Poor investment results in capital construction were also responsible while light industries and textile factories could not entirely conform to consumer demand in urban and rural markets and there was insufficient circulation between the cities and the countryside.

Zhang said China should continue to focus on raising economic results in 1984. New rural economic policies should be further implemented and the responsibility system stabilized and improved to raise agricultural productivity and aid the development in commodity production.

Industry, communications and commerce should raise the quality of their output, increase varieties, lower production costs, economize on funds and gain more from taxes and profits, the minister said.

Efforts should be made to increase coal and electricity production, speed up the readjustment of enterprises and employ imported advanced technology to upgrade industrial plants, he said.

Zhang also stressed that the scale of capital construction and rises in consumer funds should be strictly controlled to help pool money to guarantee major construction projects and keep prices basically stable.

Work should be done to formulate a plan for overall economic reform and conduct feasibility studies, he said.

CSO: 4006/341

NATIONAL POLICY AND ISSUES

RENMIN RIBAO RECALLS CONTRIBUTIONS OF SUN YEFANG

HK070348 Beijing RENMIN RIBAO in Chinese 24 Feb 84 p 5

[Article by Zhang Jingfu [1728 0513 1133]: "Cherish the Memory of Sun Yefang"--written on 22 February 1984]

[Excerpts] I became acquainted with Comrade Yefang in 1936, when we both participated in the anti-Japanese national salvation movement in Shanghai. At this time, Yefang was a well-known scholar. He often made contributions to some progressive magazines in Shanghai and chiefly to the magazine "ZHONGGUO NONGCUN" [China's countryside] edited by Comrade Xue Muqiao. At that time, many progressive magazines were published in Shanghai. The chief editors of these magazines often invited the writers to meet at vegetarian restaurants like "Gongdelin" and "Jueyuan." As they ate, writing assignments were arranged. I was also invited to meetings of this kind. I remember that once Yefang happened not to be at an arranged meeting. When a chief editor of a certain magazine suggested inviting Yefang to write on a special subject, Comrade Yang Dongchun was quick to say what he thought of him. He said that Yefang was one dedicated to scholarly research and took writing seriously. Any assignment he undertook, he definitely tried to carry out to perfection, true to his sense of responsibility. But he must have time for it, as he not only put a lot of thought into the plot of a literary piece but also weighed each word carefully. Though he was not a quick writer, what he produced carried great weight.

During the period of the anti-Japanese war, I did political work with the new fourth army. In the winter of 1941, Comrade Shaoqi called an enlarged meeting of the central China bureau in Danjiagang, Yanfu District, North Jiangsu, before he went to work at the central level. Comrade Luo Binghui and I were allowed to join the second division of the new fourth army. At this time, Yefang had changed his name to Song Liang. He acted as a theory teacher at the Central China Party School and as the head of its education department. We thus met again. Yefang had written a letter to Comrade Shaoqi, stressing the importance of studying theory. Comrade Shaoqi's reply to him was published in the "HUAZHONG DANGKAN" [central China party journal]. This was nothing but the well-known "Reply to Comrade Song Liang." My impression was that not only the comrades working at the regional level but also those working in army units had relatively great respect for "Comrade Song Liang." He was held up as a well-known Marxist theorist and a good mentor for us.

After national liberation, when I was with the Central China Financial Committee, I had another opportunity to work with Yefang. This was a very pleasant time. After the elimination of the system of classifying the country into big districts, Yefang went to work with the State Statistical Bureau. He presented many important theoretical views on statistical work. He also did a lot of actual work. Later, he was the president of the institute of economic research under the Chinese Academy of Sciences. He devoted himself to the study of economic theory, keeping the realities of China in mind.

I had contact with Yefang through my work in the 1960's. But because we knew each other, we hit it off relatively well. Therefore, he showed me several important articles written in this period and asked my opinion. It was unexpected that after 1964, these important articles and speeches of his (selectively carried in the "internal draft") were made targets of criticism by Chen Boda. Yefang was also judged "the greatest revisionist of China." During the "Great Cultural Revolution," Lin Biao, Chen Boda, and the "gang of four," based on these articles, again "designated" Yefang as "the greatest revisionist in China's economic circles" and imposed on him such grand labels as "revisionist profits in command," "Autonomy of revisionist enterprises," and so forth. Yefang was also detained for 7 years. "The force of the wind tests the strength of the grass." Against these overwhelming odds, Yefang all along adhered to his own correct views and gave cogent reasons to support his arguments. Even in prison, he did not yield displaying the lofty character of a communist fighter.

In 1975, after I started working with the Ministry of Finance, Yefang was "liberated" and sent to the hospital. We again met and felt the joy that comes with reunion after a long separation. Though physically weak he was mentally in quite good form, as if he had never been through any ordeal. He was talkative as usual. At this time, the "gang of four" was still in power. We shared worries about the general situation but did not voice them. But he insisted that there was nothing wrong with his own views. He was not the least vague about what he believed. He also expressed the determination to continue studying the problems that he had taken up. After the downfall of the "gang of four," Yefang's case was set straight, and his reputation restored.

In my more than 40 years of contact with Yefang, I strongly felt that Yefang was my model in many respects.

First, Yefang was an example in the way he upheld truth and tried to correct mistakes. As far as the study of economic theory was concerned, he really put forth many original ideas with China's realities in mind. By original ideas, I mean that some of them had never been presented before, or some of them had also been presented by others, but all of them were attributed to Yefang as the earliest advocate, or one of the earliest advocates. These original ideas credited to him were, in some cases, advanced at great risk. They often cost him criticism and ordeals not long after they were voiced. But now these ideas have been accepted among more and more people.

Second, he was a model in the way he wholeheartedly served the people. Yefang joined the CYL in 1923 and studied in the Soviet Union. He was a veteran comrade who participated in revolution when our party was in the stage of being built up. He was one generation my senior. But in the course of revolution, several times he was buffeted and victimized. He was tempered in underground party life under the reign of white terror and in the fires of battle. Yet he devoted himself to theoretical studies all the time. As the need arose, he accepted any assignment from the relevant organization--taking up actual propaganda and educational work and economic work. He did not care at all about the kind of work assigned. As for his personal life, he always lived simply. He never thought of what he was given in compensation for his work. After experiencing many setbacks, he never murmured a word of complaint or expressed dissatisfaction. He was always full of pep and life. His spirits never dropped. He gave his all to research and exploration. Not until he had formed a view supported by strong arguments did he voice and publish it. What he had in mind was how to do good for the party's cause and for the people. He never thought of what would be the likely consequences for him.

Third, he was a model as a combination fighter and scholar. Yefang was meticulous in scholarly research and hardworking and solemn. In his study of classics, he attached great importance to relevant texts. His foreign language skills were an asset to him. He never overlooked anything doubtful about what he read in translated works and always wanted to refer to the text. Sometimes, he even made comparisons involving several foreign languages for the sake of accuracy. Yefang merits our respect and emulation, not only because he was an outstanding scholar, but because, more importantly, he was first a combat hero. Even under great pressure, he never said or did anything against his conscience, proving himself not only a stout and unyielding fighter but also a selfless and fearless hero. His exemplary deeds had something in common with many model Communist Party members and was also something unique in itself. What was unique was that Yefang was such a model Communist Party member as a scholar of great academic achievements and prestige (prestige considered even higher in some countries than at home). He combined erudite learning and strong party spirit. This is especially what is commendable about him.

With Yefang's death, I fully support some veteran fighters and comrades and friends in economic circles in holding economic symposiums on Yefang and establishing a "Yefang award fund." We must emulate, study, and carry forward the spiritual wealth bequeathed by Yefang. Yefang's moral character as a teacher especially deserves our respect and emulation. It is especially hoped that the younger generation should take Yefang as an example, properly study his deeds, and make still greater contributions to our great cause. At a time when the first anniversary of Yefang's death is being observed, I have drawn upon something in the past to express some of my humble views in memory of Yefang.

NATIONAL POLICY AND ISSUES

BEIJING REPORTS ON NATIONAL INSURANCE MEETING

OW020902 Beijing Domestic Service in Mandarin 1200 GMT 27 Feb 84

[Text] Following the rapid development of the insurance business, insurance has played an important role in promoting China's economy. In 1983, insurance companies in various localities throughout the country paid a total of 1.05 billion yuan in indemnities to more than 200,000 claimants insured against various natural disasters, as well as motor vehicle, ship and other transportation accidents. This has not only lightened the financial burden of the state, but also helped the insured rapidly resume production, rebuild their homes and lead a stable life. In 1983, the amount of premiums received by insurance companies in various localities was increased by 36 percent as compared with those in 1982. The number of insurance categories has also been increased to 41 with more than half of these categories directly serving the people in rural and urban areas and 15 of them serving the countryside.

In order to make China's insurance business keep pace with the reforms of the economic system, the national meeting on insurance work held recently called on all insurance companies to continuously consolidate and develop their business of insuring the property of various enterprises and individuals in rural and urban areas and offer various types of personal insurance. It also urged all insurance companies to implement the guidelines laid down by the Party Central Committee's no. 1 document to provide new categories of insurance according to the requirements of the broad masses of peasants so as to promote commodity production in the countryside further.

CSO: 4006/341

ECONOMIC PLANNING

FUJIAN PLANS SHIPBUILDING INDUSTRY DEVELOPMENT

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No. 6, 20 Dec 83, pp 75-76, 81

[Article by Wang Sikong [3769 2448 1313]: "Quickly Awaken Our Province's Shipbuilding Industry"]

[Text] Our province is located on the southeast coast and has a long, winding coastline, one-sixth of the total coastline of the whole country. There are over 40 natural harbors and deepwater ports, including Fuzhou, Quanzhou and Xiamen. The province has broad open ocean expanses, even greater than the land area of the whole province. In order to develop our province's economy and stimulate it to reach great heights, it is necessary to make use of Fujian's abundant natural superiorities, open up the great potential of the ocean and energetically develop sea transport, fishery production and foreign trade. This definitely is the basis for fundamentally resolving our shipbuilding problems. However, our province's shipbuilding capacity is now inferior and is not suited to the needs of developing ocean superiority; in order to open up the sea lanes to us it is imperative to awaken our province's shipbuilding industry.

I

Our province has a long history of shipbuilding. In the 30 years since Liberation, there have been certain developments in our shipbuilding industry; in the 1970's we had already started to build and repair 1,000 ton ships. The Mawei and Xiamen shipyards are old establishments, their history goes back 100 years, and their shipbuilding capacity has been improved. The Shangyou, Shuichan and Yulun shipyards began operations at different times. However, a comparison of the shipbuilding industry with the requirements of economic development shows unsuitable results, and there is a considerable amount of backwardness. The main points are shown in the following few aspects.

1. There are serious inadequacies in our shipbuilding and repair capacity. Although our province's industrial and agricultural production, foreign trade and tourism are developed, movement of

goods and materials within the province is stronger, and imports are common, there also are new demands for transportation and shipping, so it is especially important to increase sea transport capabilities. According to statistics from the province's shipbuilding companies, after the third year of the "Sixth Five Year Plan," the transportation, shipping and aquatic products departments alone have shipping needs of 242 vessels and tonnage needs of 79,329 tons. This dramatic increase in the requisite amount of shipping requires that we have a responsive shipbuilding capacity. At present, however, our province has limited capability to build and repair ships. For example, the Mawei Shipyards now has only a single 5,000 ton slipway and a 2,000 ton dock, which are not suitable for handling or repairing mid or large size overseas shipping line or fishing vessels. We are unable to build vessels over 5,000 tons in the province, and vessels over 2,000 tons must be sent outside the province for repairs. The ports of Mawei and Xiamen are now constructing 10,000 ton-grade docks, and the Xiamen Dongdu Port already has constructed 15,000 ton and 50,000 ton deepwater berths. In the future, there will be more and more large and mid sized ships coming to the province and the ports, so the contradiction of inadequate repair and building capacity will become more and more pronounced.

2. Shipbuilding and repair techniques and the equipment and technology are inferior. There is a great discrepancy in our province's shipbuilding and repair technology and level of economic management when compared to that of other provinces. The related basic technology, such as welding, cutting and rust removal, do not pass muster and do not meet the basic level requirements. The shipbuilding design capabilities also are inferior. For example, the Mawei Shipyards had to get the help of the concerned Shanghai units in drawing up the blueprints for a 5,000 ton cargo freighter. Overall, our province's level of shipbuilding technology still is at that of the Shanghai area in the early 1960's.

3. Economic management is backwards, economic efficiency is low, and the enterprises have had serious losses. In 1982, the provincial shipbuilding industry had a total fulfilled output value of 17.14 million yuan, only half of that of 1980, and a loss of over 3 million yuan. Of this, the Mawei Shipyards had an output value of only 4.55 million yuan, only 16 percent of the original planned output capacity of 21.16 million yuan. The Xiamen Shipyards had only 4.86 million yuan of completed output value, a 46 percent reduction from 1981, and only one-third of 1979. The Yulun Ship Repair Yard had only 4.31 million yuan of completed output value, only 28 percent of production capacity. In other provinces, shipbuilding is flourishing while our province is showing a production decline. Other provinces can profit from shipbuilding, while our province suffers losses. In building the very same 5,000 ton freighter, Shanghai or Zhejiang can make a profit of one million yuan, while we not only don't profit but even suffer a loss. We not only suffer losses on shipbuilding, each year the loss on ship repairs reaches 100,000 yuan.

II

To sum up the above, the key to promoting our shipbuilding industry and improving our ship repair capabilities is to basically solve the problem of inadequate transport forces. To accomplish this we must stress the correct resolution of the following issues.

1. Follow the path of unity of specializations and develop superiority as rapidly as possible. Our province's shipbuilding industry has a certain foundation, but for a long time it has been scattered among the transportation, shipping, aquatic products and machine departments and industries, so it has lacked overall planning and logical division of labor, and has been unable to make joint efforts and form a superior whole. The provincial government decided to establish a "Provincial Shipbuilding Company," which is a major step toward promoting our shipbuilding industry. The establishment of a provincial shipbuilding company should first use our core shipbuilding enterprises, such as the Mawei, Xiamen and Shangyou shipyards and the Yulun Ship Repair Yard to carry out advanced organization and construction and then later make gradual expansions. Establishment of a shipbuilding company will enable our province's shipbuilding industry to obtain the support of the All-China Shipbuilding General Corporation. It will help in achieving overall balance in supply and demand among shipbuilding planning, goods and materials and funding. It will help the entire province to cooperate in attacking key problems of overall arrangements and concentrating our enterprises' current technological equipment and forces. In this way, in a short time we can transform the backward conditions in our shipbuilding industry, achieve results and promote our shipbuilding industry.

2. We must include our shipbuilding industry in the province's key planning, strengthen enterprise technological transformation and equipment renovation. The province's leadership organs have suggested that we ought to resolve that from now on we will develop our shipbuilding industry, thoroughly utilize the current production capacity of the Mawei and other shipyards, build a number of mid and small size ships, struggle to make plans as quickly as possible and achieve batch production. The year 1983 must be the fundamental turning point for backward management conditions, and we must achieve obvious results within three years. In the last three years of the "Sixth Five Year Plan," our province's shipbuilding industry must reach the level held by Shanghai in the late 1970's, which was that shipbuilding capacity had attained the ability to batch produce 5,000 ton vessels, all up to standard quality and in a quantity adequate to satisfy the province's need for vessels under 5,000 tons. In order to meet these needs it is necessary to work hard at the task of transforming current shipbuilding technology. On the one hand, the enterprises must strengthen their utilization of potentials, renovation and

transformation, and must improve economic efficiency. On the other hand, it is necessary to make the shipbuilding industry into the fundamental link of transportation, and make the ports and shipping into support projects. To give them their due regard, they must be made into major items for construction projects with strengthened funding and organization of forces to attack key issues. The use of modern techniques and technology, such as computer design, the establishment of assembly line production all the way from steel plate pretreatment and numerical control cutting to welding, the expansion of the docks and wharves, and the gradual formation of linked facilities will suit the demands of the ports' handling capacity and other needs for ocean shipping. If we do not become closely involved, we will lose this opportunity and not only will we be unable to build mid sized vessels, there also will be trouble in repairing ships, which definitely will affect the development of our province's ocean shipping efforts and the promotion of our provincial economy.

3. Take the improvement of economic efficiency as the central issue, carry out all-round renovation of all tasks, strengthen economic accounting, and reverse the situation of suffering losses. First, to have all-round rectification of and overall controls over our province's shipbuilding industry, we must arouse the revolutionary spirit of the enterprise leadership and workers, arouse positivism among the cadre workers and stimulate their enthusiasm for work. We must overcome the mistaken ideology of "reasonable losses," relying on government subsidies, and living off the state with an "iron rice bowl." Next, we must strengthen the economic responsibility system within the enterprises, fix the sentry posts, fix responsibilities, and make a realistic unity of responsibilities, rights and benefits. In December of 1983, the Mawei Shipyard ship hull machine shop made a trial reform with floating capital, and that very month they achieved successful results, with a 1.96 times improvement in work efficiency and a 16 percent increase in output value. This year, after the entire shipyard expanded there was an obvious improvement in economic efficiency, and during the first six months they reduced state losses by over 600,000 yuan. Further, it is necessary to strengthen economic management, make a proper a proper joint balance between production, supply and sales, and improve the fund utilization ratio. At present, the phenomenon of enterprise materials overstocks and waste of capital is quite serious. Up until the end of last year, the Mawei shipyards had overstocks amounting to over 4 million yuan. This shipyard has a circulating capital turnover period of 5,382 days, 3,561 days slower than in the plan, with bank debts reaching 7 million yuan and with interest and penalty expenses of over 600,000 yuan per year. The shipbuilding enterprises must transform these phenomena of losses and waste and achieve planned purchase of materials, planned production, planned utilization, overcome blindness and accelerate capital turnover. Finally, economic accounting must be strengthened. The enterprises must strive to shorten the cycle for ship repair and

building, improve the man-hour utilization ratio and lower costs and expenses. Based on the long cycles in the shipbuilding industry, it is necessary to carry out accounting for single vessels, so that if a vessel is being repaired or built it is calculated as one item in order to reflect the economic results.

4. Correctly handle the relationship between buying ships and building ships, actively support our province's shipbuilding industry. In recent years, our province's transportation, sea transport, aquatic products and foreign trade departments have mostly purchased ships abroad. From a partial perspective, the utilization of foreign funds or the purchase of vessels with foreign loans is a way to quickly increase shipping capacity in a short time and is necessary to satisfy needs in the shipping of import and export goods and materials. However, from the long term perspective, this is not favorable for developing our province's shipbuilding industry. First of all, it can create a shrinking of our provinces's shipbuilding industry; second, it is not favorable for development of ship facilities and support industries; third, the foreign cargo ships are mostly around 20 years old, consume much fuel, have great repair costs and are inefficient; fourth, it is not beneficial for our goal of concentrating our limited foreign capital on actually importing advanced technology and equipment; and, fifth, there is high interest on foreign loans and this adds to the economic burdens of units that purchase the ships. Since 1979, the Provincial Navigation Management Bureau, the Xiamen Navigation Management Branch Office Bureau and the Fuzhou Ocean Shipping Company have obtained loans from Hong Kong and Chicago, U.S.A., banks in the amount of 19.77 million US dollars at an interest rate of 1.5 percent per month, which is three times higher than the domestic rate. If the loan is repaid in five years, the interest will equal about one-fourth of the principal. Up until the end of last year, all of the profits realized from foreign loan vessels was used to repay loans, and altogether 89 million US dollars of principal and 4.31 million US dollars of interest was repaid, leaving a balance of over 10 million US dollars. As far as the enterprises are concerned, not only did they not achieve results, they also took on a heavy burden.

To ensure that our province's shipbuilding industry makes relatively rapid improvements, all concerned departments must actively support the development of the shipbuilding industry. The concerned departments must follow the principle of "primarily resolving within our own borders our province's need for ships" in making a unified plan for building and purchasing ships. Second, the concerned departments will arrange the financing, with priority given to building ships over purchasing them. Third, the units and departments which utilize ships should support the need for development of the shipbuilding industry, and the use of vessels should be included in shipbuilding planning as quickly as possible. Of course, the shipbuilding industry must also pay attention to new developments in the field, improve vessel quality, and moreover

must guarantee the fulfillment of the shipbuilding plans and deliver the vessels on schedule. Each unit and department must proceed according to the overall picture, with an eye to long range interests, and with joint efforts in order to quickly and vigorously develop our province's shipbuilding industry.

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CS0: 4006/264

ECONOMIC MANAGEMENT

PLANNING COMMISSION ISSUES PROJECT IMPROVEMENT MEASURES

OW071411 Beijing XINHUA Domestic Service in Chinese 1625 GMT 6 Mar 84

[Article by reporter Chen Naijin]

[Text] Beijing, 6 Mar (XINHUA)--The reporter has learned from the department concerned: The State Planning Commission recently decided that five strict measures would be adopted this year to ensure improvement of capital construction investment results.

The five measures are:

1. To institute a system for evaluating the economic results of capital construction--the items to be evaluated include the rate of utilization of available fixed assets, that is, the ratio between the fixed assets completed and made available to users in a given period, and the amount of capital construction investment for the same period; the rate of utilization of available additional production capability, that is, the ratio between the newly added production capability after completion of certain construction projects, and the total designed production capability of the projects under construction in a given period; the rate of large and medium-sized projects completed and put into operation, that is, the ratio between all large and medium-sized projects completed and put into operation, and large and medium-sized projects under construction; the rate of completed housing floor space, that is, the ratio between the floor space in completed houses and that in houses under construction in a given period; and the targets of specialized economic results, such as mine shaft construction and tunneling. Beginning this year, these targets will be formally included in the state plan, and strictly evaluated by the planning and statistics departments.
2. To demand a gradual reduction of project construction costs, year by year, according to the actual situation--the budgetary estimates for construction projects should be seriously checked and decided. From now on, the final accounts of completed projects put into operation, and construction projects of various organizations should not be allowed to exceed original approved estimates.
3. To shorten construction time and the time for a project to attain its designed capability after it is put into operation--all departments should

adopt effective measures to ensure as soon as possible that construction time for projects in the raw and processed material industry, the fuel and power industry, and communications and transport should generally not exceed 5 or 6 years, construction time for ordinary processing industry projects 2 or 3 years, and that for housing projects, in general, 1 or 2 years. The various industrial and transport projects generally should attain their designed capability in less than 2 years after being put into operation.

4. Tenders for designing jobs and construction engineering will be invited on a trial basis, and contract workers will be hired for ordinary construction engineering work.

5. To build necessary auxiliary projects--the construction units responsible for building auxiliary projects for a main project, according to its construction plan, must complete them within the prescribed time, regardless of the size of those projects. If the delay in completion of the auxiliary projects affects the economic results of the main project, the units building them should be held responsible.

CSO: 4006/341

ECONOMIC MANAGEMENT

PRC OFFICIAL ON ECONOMIC RESULTS IN CHINA

HK061350 Beijing ZHONGGUO XINWEN SHE in Chinese 0243 GMT 6 Mar 84

[Report by reporter Zhou Jisheng [0719 4949 0524]: "Zhao Weichen on Economic Results in China"--ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 6 Mar (ZHONGGUO XINWEN SHE)--In an interview with reporters, Zhao Weichen [6392 4850 5256], vice minister of the State Economic Commission, said today that reforming the existing system, changing the irrational status quo in the lineup of enterprises, in product mix, and in industrial structure, and giving play to the positive role of various fields is the key to raising economic results.

In China, the meaning of economic results covers a very wide range. In a primary-level enterprise or unit, there is the problem of economic results; in a department or trade, there is also the problem of economic results. As for the state, there is the problem of socioeconomic results. To sum up, there are problems of both microeconomic and macroeconomic results. Zhao Weichen mainly offered his views on the problem of macroeconomic results in the industrial, communications, and transport fields.

He said that in order to raise economic results, it is necessary to pay attention to the unification of speed and economic results. In the past, the former was overemphasized to the neglect of the latter. Now, it is suggested that attention be paid to striving for a high speed on the basis of raising economic results and organizing production according to the needs in society. Thus, the balance and connection among production, circulation, distribution, and consumption have been emphasized. Consumption has been reduced and energy has been saved by means of economic and administrative measures. The progress of technology has been achieved and more new products have been produced after adopting new techniques and new materials. At the same time, the quality of the products has been improved.

The conclusion drawn by Zhao Weichen was that the situation that China was backward in economic results has been improved to a certain extent, which can be seen from the simultaneous increase of both production and profits and taxes. Last year, the total industrial output value of the budgeted state enterprises increased by 8.9 percent, and taxes and profits increased by 7.5 percent. The consumption of materials was also reduced. Last year, some 18

million tons of standard coal were saved, while the total energy production was increased by 5.1 percent. Thus, the needs of industrial production for an increase of 10.2 percent were satisfied. The production and sale of industrial products were balanced. The total volume of social commodity retail sales increased by more than 10 percent.

Under the present conditions that the industrial system has not yet been reformed in an all-round way, Zhao Weichen suggested the following main channels to raise economic results:

-- Further strengthen enterprise management, improve the quality of management, and enhance competitiveness. The enterprises must change their old management order into a modern one, that is, from the order of production - technology - sales to that of sales - technology - production, so as to enhance the enterprises' ability to meet an emergency and their competitiveness and to suit the needs of the economic development and the change of the market.

-- Uninterruptedly readjust the proportionate relationship in the national economy. Experiences show that the accumulation rate cannot be higher than 30 percent, and in a short period to come, the ratio between light and heavy industries is better to be kept at about 50 percent.

-- In the field of production and circulation, it is necessary to strive for less investment with more products. In this connection, Zhao Weichen pointed out that it is first necessary to continue to organize production according to the needs in society so that the products can be readily sold. He said that China has already achieved better results by reducing the production of some slow-selling goods, such as chemical fiber cloth, wristwatches, radios, and so forth, and at the same time, increasing the production of those commodities which have a ready market, such as brandname bicycles, household electrical appliance, and so forth. Second, it is necessary to endeavor to reduce consumption of materials and raise the efficiency in using energy resources, so that the limited energy resources, raw materials, and transport facilities can be mostly used by those enterprises which have produced high-quality and marketable products and which have achieved good economic results with low consumption of materials, to help them promote production. On the contrary, restrictions should be imposed on those which have produced low-quality products. Third, it is necessary to increase the variety of colors and designs and improve the quality of products. Last year, more than 7,000 new products were on display at the national exhibition of new products, of which more than 700 products reached the world's advanced levels. Shanghai, Tianjin, and some other regions have achieved a notable increase of economic results by increasing the variety of colors and designs and producing more new products.

-- Forcefully promote the progress of technology. A backward technology is an important reason for backward economic results. China is now preparing to formulate some economic policies to promote the progress of technology, such as fixing prices according to the quality of products; transferring the

possession of new techniques on the basis of being paid; granting low-interest loans to technological transformation projects; and so on.

Zhao Weichen pointed out that China is making great efforts to achieve progress in technology. It will widely adopt new technology, new products, and new materials, and import advanced technology from abroad to reform its old enterprises. We hope that the broad Overseas Chinese, Hong Kong and Macao compatriots, Taiwan compatriots, and all other people who are enthusiastic in promoting China's construction of the four modernizations will invest in China and carry out technical cooperation with it. We have worked out and will continue to perfect laws and regulations in this respect so that the interests of both sides can be guaranteed.

CSO: 4006/341

ECONOMIC MANAGEMENT

RECOMMENDATIONS FOR TURNING LOSSES INTO PROFITS

Beijing BAN YUE TAN [SEMIMONTHLY TALKS] in Chinese No 21, 10 Nov 83 pp 23-25

[Text] The problem of heavy losses by state-run enterprises is now confronting us in our economic work. It is also a problem which is influencing economic results and state revenues. Recently, the Central Committee asked each prefecture and each department to place the turning of losses into profits on their agendas of important matters as one of the primary tasks of enterprise consolidation for this year and next year, to adopt effective measures and to conscientiously hasten the resolution of this problem.

Losses by state-run enterprises has been a longstanding and constant problem. In particular, the turmoil of the past 10 years has caused the total losses by state-run enterprises to increase 3.7 times, reaching a total of over 16 billion yuan. In the past few years, after having experienced continuous increases in losses, the situation has improved somewhat. By the end of 1982, total losses by state-run enterprises had been reduced by 13.74 percent relative to 1976. Of this, the losses by industrial enterprises decreased by 44.18 percent. The degree to which state-run enterprises have turned losses into profits this year is relatively clear. From January through August, the extent of the losses had decreased to 22.0 percent from 29.2 percent in the same period last year, and total losses were reduced 19.8 percent. Within this figure, the losses of 10 provinces and municipalities--Shanxi, Gansu, Jilin, Henan, Shaanxi, Shanghai, Liaoning, Hebei, Jiangxi and Shandong--were between 30 and 50 percent less than in the same period last year. The losses of the separate industries--metallurgical industries, chemical industries, machine-building, shipping and so on--were reduced by between 44 and 66 percent. However, on a national scale, our work of turning losses into profits has developed in a very uneven manner. There are a few provinces, cities and prefectures which have proceeded very slowly in carrying out this work. There are also a few provinces and prefectures and industries whose losses are still increasing. Thus we still have a fairly long way to go in our work to turn losses into profits.

The experience of many prefectures proves that turning losses into profits plays a very important role in improving economic results. In Shandong Province's budget, the profits realized by industrial enterprises from

January through September of this year rose 13.95 percent over the same period last year, and were calculated to be 129.27 million yuan. Of this the losses turned into profits amounted to 47.59 million yuan, or 36.8 percent of the total figure. Thus, it is clear that the turning of losses into profits was crucial to the improvement of economic results. If the entire nation can reduce its losses by several billion yuan in one year, the result in financial terms will be an increase of several billion yuan in state revenue.

The reasons behind the creation of losses in state-run enterprises are multifaceted. The political turmoil and economic chaos of the cultural revolution are historical reasons behind the creation of losses in state-run enterprises. The lack of rationality in the economic system and the price system, and the shortages of energy and raw material supplies are objective reasons. And chaotic management, heavy and damaging waste, outdated equipment, backward techniques, inferior product quality and a lack of competitiveness are subjective ones. Among the factors mentioned above, the subjective ones are the most significant. We must tackle the problem of turning losses into profits once and for all in a comprehensive way, and must go one step further in our readjustment and restructuring of the economic system. Even more important, we must depend on the enterprises themselves to inspire enthusiasm, to turn inward and strive through self-reliance to raise production techniques and management to a new level, and to turn losses into profits.

In order to do a good job in turning losses into profits, we must first of all stress planning and practice management by objectives. Prefectures, departments and enterprises should all formulate realistic plans for turning losses into profits. They should put forth objectives which, through hard work, can be achieved. Moreover, they should implement this task gradually and on a step-by-step basis down to the level of each enterprise, each workshop and work unit, and each individual. The unprofitable enterprises of individual departments throughout the nation have been asked to reduce their losses by 32 percent this year, and to cut this year's losses in half next year, and to basically eliminate administrative losses by the end of the year. The prefectures and departments should put forth concrete demands and adopt various measures in accordance with the actual conditions of the unprofitable enterprises in order to hasten the resolution of this problem. Since the beginning of 1982, Jilin Province has carried out thorough investigations of its unprofitable enterprises. It has arranged them in order of importance and urgency, distinguished among differing conditions, and adopted measures to "restrict, stop, decentralize or close down." It has achieved notable results. Last year the province focused on 189 enterprises whose losses were severe. It formulated a program for turning losses into profits for each individual enterprise, and adopted a series of measures for consolidation. By the end of the year, there were already 113 enterprises whose losses had been reduced or which had turned their losses into profits. Losses were reduced 31.86 million yuan, representing 48.7 percent of the entire province's quota for turning losses into profits.

Under the present system, enterprises suffering losses due to policy requirements are still finding it difficult to complete the work of turning losses into profits. However, a fair number of those losses are really administrative losses that have been concealed as policy losses. This kind of damage and waste is frequently overlooked. These enterprises must overcome their mental state in which they find losses to be reasonable, have an easy conscience about relying on state subsidies, and see no need to progress. They should formulate plans and targets for improving management, improving economic results, and gradually reducing losses. With respect to the unprofitable products of otherwise profitable enterprises, we cannot use profits to cover losses for any extended period of time. We must evaluate them one by one, and diligently speed toward the resolution of this problem.

Second, we should stress mobilizing the enthusiasm of our enterprises, and their staff and workers, toward turning losses into profits. It is extremely important for us to put more pressure on our enterprises and to make them feel more motivated. In the overall experiences of various areas, six measures have been considered most effective: 1) For those enterprises that must turn losses into profits within a specified period of time, those enterprises that turned losses into profits ahead of schedule were given a previously specified amount of subsidy. For enterprises that cannot turn their losses into profits by the end of the allotted time period, we should halt their subsidies, and effect the closing down of the enterprise. The main leading cadres of these enterprises should voluntarily resign or else be removed from office on the spot. 2) For policy-related losses or losses incurred for exceptional reasons, we should establish a fixed amount of subsidy, to be divided among those enterprises that do reduce their losses. Those whose losses exceed the specified amount should not be subsidized. 3) For those small enterprises which incur losses year after year, we should implement collective responsibility systems, under which the enterprises assume sole responsibility for their profits or losses, and exempt them from paying taxes on their income for 1 year. 4) After the Ministry of Finance and the State Council handed down the "1983 Notice of Targets for Turning Losses into Profits in Industrial Enterprises" on 29 September 1983, those enterprises that became unprofitable or whose losses began to increase were not granted subsidies in accordance with the above law. 5) With respect to urgently needed products that are in short supply, in cases where losses were incurred because sets of equipment were incomplete or technology was obsolete, we can move up our distribution of subsidies based on an appraisal of losses so that the enterprises can carry out reforms. 6) Enterprises whose losses exceed total wages, which lack the necessary resources or raw materials, whose products are unmarketable, and which are unable for a long period of time to turn losses into profits, should be resolutely closed down.

Third, we should combine the turning of losses into profits with the organization of enterprises. Those industries that we should place the most stress on are coal, the light industries, machine building, chemicals and textiles. In particular, in the coal industry and in other industries which have incurred policy-related losses, we should eliminate discussion

of "reasonable losses," diligently expose problems in management, overcome the phenomenon of serious waste and gradually reduce losses to the smallest degree possible. With respect to our large enterprises, we must seize hold of these enterprises whose annual losses are above 1 million yuan and gradually, on a step-by-step basis, establish responsibility systems, doing this until we have transformed each one of them. And we will not let go until we have seen changes in each one of them. At the same time that we are working on the unprofitable enterprises, we should also pay attention to our profitable large enterprises, and should strive to raise their level of profitability, especially that of the few industries or enterprises whose profits have been decreasing.

Fourth, we must grasp management of our financial affairs, and strict financial and economic discipline. There are a few enterprises which, although they have had heavy losses, still house a few extreme "experts" who generally believe that bigger is better and the degree of waste is not that bad. The damage and waste are alarming. The financial system is also fairly chaotic. The phenomenon of "waste, dissipation, dripping, leaks" occurs frequently, and situations in which bonuses are handed out indiscriminately are also numerous. In our work to turn losses into profits, each and every enterprise should establish systems to manage property and handle goods and materials, systems for examination and for the receipt of reports on financial affairs and expenditures, and cost accounting regulations and management methods, and they should do a good job in economic accounting in factories, workshops and work units. We must resolutely correct the arbitrary apportionment of costs and the syphoning off of state income, the illegal (private) distribution of state property, the indiscriminate granting of bonuses and material goods, the use of group funds for private purposes, the appropriation of public property, and other kinds of behavior which violate financial and economic discipline.

In conclusion, turning the losses of state-run enterprises into profits is crucial to improving the economic results of enterprises and increasing revenues. We must regard the turning of losses into profits as our main direction of attack in our effort to improve economic results and to increase financial revenues, and approach this task as we would approach a very tough battle in war.

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CSO: 4006/181

ECONOMIC MANAGEMENT

JIANGSU, JIANGXI GOVERNORS DISCUSS COOPERATION

OW050914 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 3 Mar 84

[Text] From 1 through 3 March, Governor Zhao Zengyi of Jiangxi and Governor Gu Xiulian of Jiangsu, along with the leading comrades of departments concerned, met in Nanjing to discuss promoting economic and technical cooperation between the two provinces.

They also signed the minutes of their meetings.

Both sides indicated they would learn from each other's strong points to offset their own weaknesses, and do a good job in promoting their economic and technical cooperation in accordance with the instructions of the central leading comrades.

During the meetings, comrades of the two provinces agreed that, in the industrial sphere, their cooperation in the immediate future would be primarily in the fields of foodstuffs, feed, packaging, electronics, and textiles, as well as cooperation between urban and suburban industrial enterprises. They also agreed that, in the agricultural area, their cooperation will mainly take the form of exchanging experience in expediting economic diversification.

Regarding the circulation of goods, they agreed that similar trades, and prefectures and cities of the same level of the two provinces would be organized to learn from each other, and that long cooperative relationships would be established between Nanchang and Suzhou, and between Jiujiang and Nantong.

Both sides also indicated that the units and departments concerned of the two provinces will also be organized in a planned manner to learn from one another, and that, to strengthen their mutual ties, Jiangxi will set up a special office to take charge of liaison and Jiangsu will designate the provincial economic and technical cooperation commission to take care of specific matters.

CSO: 4006/341

ECONOMIC MANAGEMENT

SICHUAN PLANS ENTERPRISE CONSOLIDATION TASKS

HK240322 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 21 Feb 84

[Text] According to SICHUAN RIBAO, the provincial leading group for enterprise consolidation recently worked out further plans for enterprise consolidation work in 1984. The group urged all localities and departments to grasp the work firmly and well and in a down-to-earth manner while carrying out party rectification. They should really make party rectification and enterprise consolidation serve each other.

The group urged: All departments, bureaus, and prefectures must strengthen their leadership over enterprise consolidation in connection with the demands of the provincial CPC committee and the provincial government documents. Organizations directly under the provincial authorities have already carried out party rectification in an all-round way. All units must formulate plans as a whole. In consolidation, each unit must assign a leading cadre in charge of enterprise consolidation. Personnel in charge of the consolidation must take part in party rectification in batches and stages, and they must take turns to grasp the work, so that party rectification and enterprise consolidation can serve each other.

The group urged: We must accelerate the readjustment of enterprises' leading groups, and establish a system of periodically publicizing the work of enterprise consolidation, so as to promote an emulation drive among them. We must conscientiously carry out the method of rewards and penalties in inspecting the overall consolidation result of the province's state and locally run enterprises. We must promptly commend and encourage those enterprises which do well in the consolidation work, while setting a specific time limit for those enterprises which are slack in their consolidation work or fall behind to do consolidation work again, or else their inspection certificates will be revoked.

CSO: 4006/341

ECONOMIC MANAGEMENT

AGRICULTURE, LIGHT AND HEAVY INDUSTRY RATIO ANALYZED

Beijing JINGJI LILUN YU JINGJI GUANLI [ECONOMIC THEORY AND BUSINESS MANAGEMENT] in Chinese No 6, 25 Dec 83 pp 1-4, 45

[Article by Wang Jiye [3769 4480 2814]: "Study 'On the 10 Major Relationships' and Establishing a Proper Ratio among Agriculture, Light Industry and Heavy Industry--Marking the 90th Birthday of Mao Zedong"]

[Text] "On the 10 Major Relationships" is an important article written by Comrade Mao Zedong. It draws on the experiences of the Soviet Union in summing up our own experiences in socialist revolution and construction during the First 5-Year Plan period and elaborates on 10 major relationships concerning socialist revolution and construction in accordance with the basic principle of mobilizing all positive factors to serve socialism. This article has an important theoretical and practical significance in the socialist modernization drive of our country.

The relationship among agriculture, light industry and heavy industry is the first issue discussed in the article. It needs to be carefully studied. Here I would like to share some of my humble experiences gained in such study.

I. Two Tendencies

The relationship among agriculture, light industry and heavy industry is a basic relationship that affects socialist construction. It affects the overall situation and the future of the national economy and has strategic significance. Therefore, we must conscientiously and correctly handle this relationship.

We are likely to have two tendencies in handling this relationship:

1) a one-sided emphasis on heavy industry to the neglect of agriculture and light industry; and 2) an emphasis on agriculture and light industry at the expense of the key sector. Ignoring agriculture and light industry and one-sidedly developing heavy industry can result in the protracted underdevelopment of agriculture and light industry, tight supplies for the market and a failure to improve properly the people's living standards. The Soviet Union and some East European countries have such an experience. "They do not have enough goods on the market and their currencies are not stable as a result of overemphasizing heavy industry and ignoring

agriculture and light industry." (Selected Works of Mao Zedong" Vol 5 p 268, "On the 10 Major Relationships." The lopsided development of heavy industry can also result in an irrational structure of the entire industry. Because heavy industry is separated from agriculture and light industry, the growth of heavy industry cannot last long although it might be very fast. Agriculture and light industry cannot develop and would remain backward for a long time due to a lack of advanced technology and equipment. The practice of socialist construction proves that it is easier to pursue one-sidedly a higher output value and output of heavy industry than to increase the production of heavy industry while maintaining the harmonious development of agriculture, light industry and heavy industry. The practice also proves that it is easier to achieve a temporary high speed in heavy industry than to pursue lasting, stable growth. During the First 5-year Plan period, we properly handled the relationship among agriculture, light industry and heavy industry. "We have focused on and developed agriculture. We have guaranteed to a certain degree the supply of grain and raw materials needed for industrial development. We have a relatively abundant supply of daily necessities. Our prices and currency are stable." "(Selected Works of Mao Zedong," Vol 5 p 268, "On the 10 Major Relationships." This is an important historical experience. It is a key to whether our economy can have a stable and sound development.

The two tendencies--ignoring agriculture and light industry and overemphasizing heavy industry--have a cause and effect relationship. To prevent such tendencies the most important thing is to control the growth rate of heavy industry properly as far as the guiding principle of economic construction is concerned. Since state funds and material resources within a given time period, after all, are limited, overemphasizing heavy industry is bound to result in the neglect of agriculture and light industry. What is particularly noteworthy is that the socialist revolution has succeeded not in capitalist countries where productive forces are highly developed, but in capitalist countries where productive forces are not highly developed. The revolution has also succeeded in semifeudal and semicolonial countries where productive forces are very underdeveloped. Objective factors tend to make such countries impatient and attach too much importance to heavy industry in order to speed up their economic development, resulting in the neglect of agriculture and light industry in various degrees. The fact that funds and material resources are controlled by the state and the investments are concentrated in these countries also accelerates the development of such a tendency. Therefore, while formulating a guiding ideology for economic work and drawing up macroeconomic policies, we must clearly bear in mind that heavy industry should be developed on the basis of agricultural and light industrial development. We should make proper arrangements for economic plans in accordance with this principle. It is particularly necessary for us to exercise strict control over the investments in capital construction and ensure that the direction and structure of the investments meet the objective demand for the harmonious development of agriculture, light industry and heavy industry. If we make a major mistake in the direction and structure of the investments

and overemphasize heavy industry to the neglect of agriculture and light industry, we will have difficulties handling the relationship among agriculture, light industry and heavy industry. Year in and year out this would inevitably result in imbalanced relations among major sectors of the national economy. In the end, we would have to carry out readjustment. This is also the reason our country has carried out two major readjustments in economic construction. All the tasks and objectives of these readjustments are designed to restore a proper ratio among agriculture, light industry and heavy industry and to smooth out their relationship. This explains why the correct handling of the relationship among agriculture, light industry and heavy industry is extremely important and why it constitutes a strategic issue that can affect the overall situation and the future of the national economy. "Heavy industry is the focus of our construction. We must give priority to developing the means of production. This has been determined. However, we must not ignore the production of the means of subsistence, especially grain, for this reason." ("Selected Works of Mao Zedong" Vol 5 p 268, "On the 10 Major Relationships.") This is a correct guiding principle which conforms to the Marxist theory of reproduction and suits our national conditions. It is an important principle by which we abide in handling the relationship among agriculture, light industry and heavy industry.

There is no doubt that we must develop heavy industry. The question is how. After over 30 years of practice, we deeply believe that the national economy must be planned on the basis of an overall balance. However, there must be key points, for without key points, there will be no development. Four significant rules are: 1) we must have correct key points, 2) we must concentrate on key points, 3) we must give due consideration to both key points and general points and 4) key points must not be fixed. Heavy industry is a key point, but it has so many different sectors that heavy industrial products differ in thousands of ways and their importance varies in economic activities. Therefore, we must make great efforts to discover the key links in heavy industry. Among the key strategic points set forth by the 12th CPC Congress for our economic development by the end of this century is strengthening of the construction of energy resources and communications. In a broad sense, energy and communications are heavy industry sectors. They are important factors determining the economic development of our country today and for some time to come. If we fail to advance energy and communications work, we will be unable to lay a good foundation in the 1980's for effecting economic revitalization in the 1990's, nor will we be able to achieve the strategic goal of quadrupling production. Key and general points are relative terms. We need to concentrate our financial and material resources to guarantee key points. However, we must not overdo it, because it may result in the neglect of agriculture and light industry and a failure to develop key construction projects. Of course, we must not stress agriculture and light industry at the expense of key points and fail to speed up energy and communications work. This would be detrimental to the long-term development of the national economy. We should avoid both tendencies.

II. Two Ways

"There are two ways to develop our heavy industry. One is to reduce the production of agriculture and light industry. The other is to increase the production of agriculture and light industry. Judged from a long-term point of view, the former would reduce and slow down the production of heavy industry and create a somewhat unstable foundation, and the latter would increase and speed up the production of heavy industry and consolidate the foundation for development because it guarantees the needs of the people's livelihood." ("Selected Works of Mao Zedong" Vol 5 p 269, "On the 10 Major Relationships.") Two extremely important questions are mentioned here: one is foundation; the other is speed.

Where is the foundation for the development of heavy industry in terms of the whole economy? Is it in heavy industry itself or in agriculture and light industry? This is the crux of the question. The question of a foundation for developing heavy industry is, in essence, a question of whom heavy industry serves and whether we want to attain the objectives of socialist production. If we place the foundation in the range of heavy industry itself, we will restrict heavy industry to a self-serving circle and will not be able to change a situation whereby the production of heavy industry is for the sake of production. In this way, heavy industry will not have a stable foundation. Its development will, fundamentally speaking, lose vitality. Only when we transfer the foundation to agriculture and light industry can heavy industry have a stable foundation and maintain exuberant vitality, freeing itself from self-serving limitations and production for the sake of production. In terms of the objectives of socialist production, the production of heavy industry, agriculture and light industry must all be subordinated to the objective of satisfying the needs of the people. Arrangements for production must be based on this and never run counter to it. Determined by the salient features of heavy industry, heavy industrial departments primarily provide the means of production. If they lack a strategic point of view or if they forget the objectives of socialist production, they would often depart from the objective of satisfying the people's needs. This is a major issue to which we must pay constant attention. In fact, the production of all means of production is for the sake of consumption. It is for the sake of satisfying the needs of society that more and better products should be produced. Judged from the whole process of social reproduction, the development of the means of production should not be separated from the production of consumer goods. Otherwise, departments producing the means of production will encounter difficulties in the process of reproduction, and the use value and the value of their products will be unrealized. In a socialist economy, the ultimate purpose of producing the means of production is to increase social products and to satisfy the people's needs, whether it be for productive consumption or accumulation or expansion of reproduction. Judged from this point of view, departments producing the means of production cannot directly satisfy the people's needs with their products. However, they can, in the final analysis, serve the needs of the people's livelihood indirectly

or in the long run. If we fail to see things in this light and separate the development of the means of production from the objectives of socialist production, heavy industry will divorce itself from agriculture and light industry and develop on its own. This may work for a short time during the long historical process of economic development. However, when contradictions become acute, the development of the means of production will unavoidably be reduced to suit the development of agriculture and light industry. This has occurred more than once in history. This is certainly worth pondering. The reason is simple. If we do not develop agriculture and light industry or if we develop them slowly, we will have difficulties in the reproduction of the labor forces vital to heavy industrial production. We will have problems concerning funds and markets. We will not be able to overcome these problems no matter how many heavy industrial products we turn out or how fast we develop heavy industry. We will not be able to carry out reproduction easily and smoothly. Of course, this does not mean that heavy industry should not serve itself. Instead, it means that all sectors of heavy industry, including those which serve the industry itself and those which serve agriculture and light industry, are in the final analysis determined by the needs of agriculture and light industry. If agriculture and light industry develop slowly, their demand on heavy industry will inevitably be reduced and the market for heavy industry will also be reduced. This will then determine the overall scale of heavy industry. Therefore, shifting heavy industry to a course based on agriculture and light industry is not a subjective assumption. It is a reality in economic life. It is determined by an objective economic law which cannot be altered by the human will. If we ignore and negate the indispensable interrelationship among agriculture, light industry and heavy industry, we eventually will come to grief and pay a huge price.

Now let us discuss the issue of speed. The speed of heavy industrial development is vital to the development of the socialist economy. To change the backward situation of our country quickly, it is imperative to speed up the development of heavy industry. What is complicated about this issue is that we must consider the speed not only in the short run but also in the long run. If we do not plan carefully for the speed of the development of heavy industry, we will have an immediate problem. If we pursue a temporary high speed in heavy industry and give no consideration to the speed of development of the whole economy, especially agriculture and light industry, we are bound to wear out the equipment and our manpower. If we do not seek advanced technology and updated equipment, we would not be able to maintain a high speed even if we did succeed in achieving it. This is true because we are dealing with the reproduction problem of equipment and manpower. Worn-out equipment cannot be restored by working overnight. Exhausted manpower needs to be compensated with consumer goods which cannot be produced all at once. Therefore, we must comprehensively examine this question. Heavy industry is a component of the whole economy. It cannot be separated from the rest of the economy or developed on its own. Theoretically speaking, this is a question of how to achieve greater and faster results

in developing heavy industry on the prerequisite of seeking proportionate development and higher economic results. It is usually referred to as a question of integrating speed, proportion and efficiency. Only by integrating speed, proportion and efficiency can we achieve a high speed, a proper proportion and high efficiency. This is particularly important to heavy industry. If we fail to pay attention to proportion and economic results, the development of heavy industry, no matter how fast it is, would be useless. Sometimes it could even result in a waste of money and energy and increase the pressure on communications and transportation, causing tension in economic activities and a passive situation in economic work. In the end, more often than not, we would have no other choice but to readjust the speed of heavy industry. Such a readjustment always results in great losses. In the final analysis, heavy industry still cannot develop very fast. Therefore, it is better to work in a down-to-earth manner and make steady progress by coordinating the speed of the development of heavy industry with that of agriculture and light industry. It may seem that growth is lower when we seek balanced development and economic results. In fact, it is faster, and the economic results are also better.

III. Proper Ratio

To handle the relationship among agriculture, light industry and heavy industry correctly, we should not only understand their interdependent relationship but also find a proper ratio among them. When heavy industry develops too fast and affects the proper ratio, we should "develop more agricultural and light industrial products by properly readjusting the ratio between the investment in agriculture and light industry and the investment in heavy industry. Does this mean we no longer consider heavy industry as the focus? No. We still consider it the focus and a key point for investments. However, the percentage of investments in agriculture and light industry should be slightly increased." ("Selected Works of Mao Zedong" Vol 5 p 269, "On the 10 Major Relationships.") Only when there is a proper ratio between the investment in agriculture and light industry and the investment in heavy industry can there be a rational structure of agriculture, light industry and heavy industry. How do we judge and appraise the structure of agriculture, light industry and heavy industry?

First, we should analyze the speed of the development of agriculture, light industry and heavy industry. Agriculture is the foundation of the national economy. It supplies a means of subsistence most essential to the people's livelihood, especially grain. Light industrial products are the main sources of market supply. Heavy industry mainly supplies the means of production such as the means of labor. Agriculture, light industry and heavy industry each has its own salient features. They are important sectors indispensable to production, construction and the people's livelihood. They are closely interrelated. Their output value and growth rates also condition and promote each other. In our country, the agricultural situation directly affects, or even determines,

the growth rate of the light and heavy industries. Nearly 70 percent of the raw materials needed for light industrial production depend on agricultural production. Bumper or poor harvests affect the growth and decline of light industry, and the agricultural and light industrial situations determine the market for heavy industrial products. When heavy industrial departments are required to turn out more means of production such as quality chemical fertilizer, farm machinery and pesticides for agricultural production as well as more raw materials for light industrial production, it becomes more important to discuss the issue of the growth rate of agriculture, light industry and heavy industry. Judged by past experiences, given a long period of time or when economic development is relatively normal, the growth rates of agriculture, light industry and heavy industry generally maintain a 1:2:2 ratio. In other words, agricultural production grows by 1 percent and light and heavy industries both grow by 2 percent. During the First 5-year Plan period, on the average agricultural output value increased by 4.5 percent a year, light industrial output value increased by 12.9 percent a year and heavy industrial output value increased by 25.4 percent a year. This shows that heavy industry was growing too fast. This was necessary in the early period of socialist industrialization. However, it must not continue for a long period of time. Given a relatively long period of time, the growth rates of agriculture, light industry and heavy industry must be restored to a proper ratio. During the 17 years from 1966 to 1982, the average annual growth rate of agriculture was 4.8 percent, light industry was 9.1 percent and heavy industry was 9.8 percent. The ratio of growth rates was readjusted to 1:1.9:2, which can be considered basically proper.

Second, we should analyze the relationship between the production of the means of consumption and the production of the means of production. If we put agriculture and light industry on one side and heavy industry on the other and examine and compare their growth rates, we would be able to get a general idea of the situations in the two major divisions--the production of means of consumption and the production of means of production. Needless to say, such a comparison is not very precise. Agriculture, light industry and heavy industry are divided in accordance with the salient features of their production. The two major divisions of social production are divided in accordance with the ultimate use of their products. However, the division of agriculture, light industry and heavy industry is not precise either. Because agricultural output value includes achievements of industrial units (commune- and brigade-run industries), light industrial departments are engaged in the activities of heavy industry, and heavy industrial departments also produce a small number of the means of consumption, especially durable consumer goods. There is a tendency for the departments of heavy industry to produce more and more consumer goods. If we divide agriculture, light industry and heavy industry into "pure departments" and examine their growth rates, we would be able to get a better idea about the situations in the two major divisions of social production. However, this requires rigorous calculations. Before this problem can be solved, we have to

judge the relationship between the two major divisions of social production by the existing figures of the output value and growth rates of agriculture, light industry and heavy industry. During the 1966-78 period, the average annual growth rate of agricultural and light industrial output value was 6.3 percent, and that of heavy industrial output value was 11.8 percent. The production of the means of production apparently developed too fast. As a result of readjustments in the past few years, the average annual growth rate of agricultural and light industrial output value in the 1966-82 period came to 7.2 percent and that of heavy industrial output value came to 9.7 percent, maintaining a roughly 1:1.3 ratio. Since our country has a large population and relatively low production and living standards, it is probably appropriate to have a ratio that makes the growth rate of the means of production slightly higher than that of the means of consumption.

Third, we should analyze changes in proportion. A proper ratio among agriculture, light industry and heavy industry cannot be achieved without going through the process of readjustment. Take the past few years, for example. In 1978, agriculture accounted for 27.8 percent, light industry accounted for 31.1 percent and heavy industry accounted for 41.1 percent of the total industrial and agricultural output value, calculated in accordance with prevailing prices. The percentage of heavy industry was apparently too large. In 1982 after the readjustment, agriculture accounted for 33.6 percent, light industry accounted for 33.4 percent and heavy industry accounted for 33 percent of the total industrial and agricultural output value. That agriculture, light industry and heavy industry each accounted for about one-third of the total value is basically rational. We should avoid sudden increases and reductions in the process of readjusting the ratio among agriculture, light industry and heavy industry to prevent drastic ups and downs in economic development and secure a proper ratio among the three.

Fourth, we should analyze the scale and composition of the investment. Controlling and readjusting the investment are major links for maintaining a rational structure of agriculture, light industry and heavy industry. Our country has witnessed several imbalances among agriculture, light industry and heavy industry. They all stemmed from a loss of control over the scale of investments. Heavy industry had too much invested in it and developed too fast, affecting the development of agriculture and light industry. In the final analysis, we may say that in order to maintain a proper ratio among agriculture, light industry and heavy industry we must exercise strict control over the scale of investments and readjust the structure of investments. This is actually to readjust the structure of agriculture, light industry and heavy industry from the viewpoint of the distribution and utilization of national income. We should note that once the scale of capital construction is expanded, heavy industry will be spurred to develop in leaps and bounds; the rate of accumulation will be increased; heavy industry and accumulation will be stressed at the expense of agriculture, light industry and consumption;

the accumulation funds in the form of currency will become unsuitable for the means of subsistence. Therefore, it is not difficult to understand why it is extremely important to readjust the distribution and utilization of the national income to readjust the structure of agriculture, light industry and heavy industry and maintain a proper ratio among them. When heavy industry develops too fast and becomes incompatible with the development of agriculture and light industry, we should appropriately reduce the rate of accumulation and the investment of fixed assets while devising plans and making arrangements for production. When the development of agriculture and light industry still lags behind the growth rate of the consumption funds, we should on the one hand vigorously develop agricultural and light industrial production and on the other hand prevent a loss of control over consumption funds. Doing a good job in all this can give us a better chance of succeeding in readjusting the ratio among agriculture, light industry and heavy industry and bring about a harmonious development of the three.

12302

CSO: 4006/261

ZHAO WEICHEN DISCUSSES 1983 ECONOMIC SITUATION

Beijing QIYEGUANLI [ENTERPRISE MANAGEMENT] in Chinese No. 1,
5 Jan 84, p 9-11

[Article by staff reporters: "Zhao Weichen Discusses 1983
Economic Situation"]

[Text] Recently, our reporters interviewed Zhao Weichen [6392
4850 5256], Deputy Chairman of the State Economic Commission, on
the subject of the 1983 economic situation. Comrade Zhao Weichen
said that in 1983, the overall economic situation was excellent,
not only better than the prediction made at the beginning of the
year, but, in comparison with 1982, there also were new develop-
ments.

1. Abundant Harvests in Agriculture. The total grain output was
740 billion jin, an increase of more than 30 billion jin, setting
an all-time high record. Places that produced relatively great
amounts were Henan, Jilin, Heilongjiang, Liaoning, Shandong and
Sichuan.

Total cotton production was 80 million dan, an increase of 8
million dan over 1982. The greatest increases were in Shandong,
Hebei and Henan provinces. The plan for sugar materials was also
carried out relatively well, with abundant sugar cane harvests in
Guangdong and Guangxi and an abundant sugar beet harvest in Nei
Monggol.

The estimated total output value in agriculture for the entire
year is about 4 percent higher than in 1982.

2. A Steady Climb in Industrial Production and Product Sales. In
1983, industrial production climbed steadily and developments
were relatively balanced. The total output value in industry for
the whole nation from January to November was 5559.1 billion yuan,
97.1 percent of the year plan and 10.7 percent higher than the
same period in the previous year. This included a 9.6 percent in-
crease in the whole people ownership system and a 14.4 percent
increase in the collective ownership system. From January to No-
vember, the production quantity for 100 major products showed

that 85 products had completed 91.5 percent of the total year's planned schedule, compared to the increase of 88 product types during the preceeding year. By the end of November, 63 product types had fulfilled the entire year's plan 1-2 months ahead of schedule; including such products as radios and recorders, televisions, cameras, synthetic fibers, paper and cardboard, hydroelectricity, petroleum processing, steels, cement, plant glass, tires, and automobiles. The estimated fulfilled year's industrial total output value could reach 613.5 billion yuan, a 10 percent or 56 billion yuan increase over the preceeding year.

The budget called for the state operated industrial enterprises to have a first quarter product sales income increase of 3.2 percent, a second quarter increase of 8.5 percent and a third quarter increase of 10.6 percent. The January-November total amount achieved was 342.4 billion yuan, 9.7 percent more than the previous year, and in excess of the 9.5 percent output value increase in industries of the same specifications. This was not the case for quite a few years and shows that the great majority of products have suitable sales outlets.

3. Fulfillment of the Plan for Energy Production and Transportation. The coal, electric power, petroleum industries and transportation overfulfilled the plan. From January to November, the whole country produced 6.3 hundred million tons of raw coal, a 7.5 percent increase over the same period the previous year. The unified production mines have an average daily production of about one million tons, with relatively stable production. From January to November, accumulated crude oil production was 96.81 million tons, a 3.7 percent increase over the same period the previous year. Proven petroleum deposits greatly exceed 2.5 hundred million tons. From January to November, 317.9 billion kilowatt-hours of electrical power were generated, a 7.4 percent increase over the same period the previous year. From January to November, 10.7 billion kilowatts of hydroelectric power in excess of the plan were generated, the equivalent of a savings of more than 6.4 million tons of raw coal. The total amount of power (with the total for coal, oil, gas and hydroelectricity adjusted to standard coal) for the whole country had a planned increase of 1.6 percent and an actual increase of 7 percent, a relatively great increase.

From January to November, transportation showed railway freight volume was 10.62 hundred million tons, a 4.3 percent increase over the same period the previous year; passenger volume was 9.6 hundred million person-times, a 6.3 percent increase over the same period the previous year. The past few months the Ministry of Railways cooperated with the unified distribution coal mines to properly handle winter coal transport and achieved relatively good results. From January to November, the Ministry of Transportation and Communication subordinate departments of water transportation and telecommunications both had volumes greatly in excess of the plan. Ministries such as railways and transportation also showed improvements in the quality of service and the work sequence.

4. Coordinated Development of Light and Heavy Industries. Light industry had a first quarter increase of 2.5 percent, a 5.4 percent increase during the first half of the year, and a 7.5 percent increase at the end of September. Sales of woolens, bicycles, cameras, electric fans and paper and cardboard variously increased 11-15 percent; polyester fiber and blended fiber increased 42.8 percent; color televisions increased 53 percent; family washing machines increased 46.6 percent; tape recorders increased by 57.2 percent and family refrigerators increased by 97.8 percent.

During the first 11 months, such heavy industries as metallurgy, chemical engineering, construction materials and machinery flourished in both production and sales, with relatively good economic efficiency. From January to November, pig iron, steel materials, steel, sulphuric acid chemical fertilizers and lumber variously showed increases of 5.3-7.7 percent; plastics, pressboard, cement, and plate glass variously showed increases of 12.1-15.1 percent; lathes, automobiles and electrical generators variously showed increases of 18.1-73.8 percent over the previous year. The countryside urgently needed mini tractors and the supply could not meet the demand, with 450,000 machines built by the end of November, a 64.5 percent increase over the previous year. From January to November, key metallurgical industries and the nationwide chemical engineering system respectively turned over 5.8 percent and 5.9 percent higher profits than for the same period the previous year. Machinery industry enterprises under the whole-people ownership system turned over increased profits of 33.9 percent, 12.9 percent higher than the increases in output value.

It is estimated that the light industry output value for last year could possibly reach 303 billion yuan, a 7.6 percent increase over the previous year; the heavy industry output value increased 310.5 billion yuan, a 12.4 percent increase over the previous year. The ratio between light and heavy industry was 49.4 : 50.6.

5. Dynamic City Marketplaces. From January to November, the volume of retail sales was 244.15 billion yuan, a 10.4 percent increase over the same period the previous year and a faster increase than in the previous two years. Grains, vegetable oils, pork, eggs, sugar, spirits and tobacco had sales over 8 percent higher than in the same period the previous year. From January to November, television set sales were 4.25 million units; from January to October, 1.44 million tape recorders and 2.94 million electric fans were sold.

In foreign trade, from January to November, total imports and exports reached 39.26 billion US dollars, a 4.1 percent increase over the same period the previous year. Of this, exports were 20.2 billion US dollars, a 0.3 percent increase and imports were 19.06 billion US dollars, an 8.5 percent increase. Exports were 1.14 billion US dollars higher than imports.

6. Great Developments in Enterprise Rectification. At the end of November, over 2,400 large and mid sized key industries of the industrial and transportation system were included in the nationwide rectification plan and the leadership groups have already rectified about 87 percent of them. It is estimated that they all can be rectified before the end of the year.

There was progress in developing enterprise rectification and in staff and worker education. Progress was especially rapid in the "twofold supplementary" education in culture and technology for young workers.

7. New Developments in Science and Technology Work. Recently, the All-China New products Exhibition had over 7,000 new products, 700 of which were of or near to advanced international standards, about 10 percent. Another 5,900 varieties were of progressive domestic standards, or 85 percent. These new products are of quality, in quantity, have customers and are efficient, all of which demonstrates the progress in our nation's industrial standards.

A number of provinces and cities made technological progress, developed new products and made clearcut improvements in economic efficiency. Shanghai municipality has initiated the development of 8,706 products, and 80 percent have already gone into production, creating over 1.50 billion yuan of industrial output value, about 6 percent of the total industrial output value for the municipality. During the first half of last year, Tianjin municipality generated 7.6 hundred million yuan of output value in new products, or 6.8 percent of the whole municipal industrial output value. This generated profits of 8.3 hundred million yuan, or 8.1 percent of the total profits.

In the area of technological reform, there were preparations for 3,000 projects involving joint ventures with foreign countries and importing that now are being organized and implemented.

8. New Developments in Economic and Technical Cooperation. After the Third Plenum of the Eleventh Party Committee, there were flourishing developments in economic and technical cooperation between prefectures. According to statistics from the end of 1982, economic and technical cooperation between provinces reached about 6,070 projects (of these, 1,700 provided needed support), and cooperative efforts produced 4.1 billion yuan of goods and materials and over 11 million tons of coal. The year 1983 originally had a basis in goods and materials cooperation, technical cooperation and economic coalitions, and this basis was expanded to include providing the right type of aid, exporting labor services, intellectual development and training human talent. Xinjiang conducted 279 cooperative projects with 21 provinces, cities and prefectures, including 42 projects on intellectual development and training human talent, and also formed 7 useful cooperative

relationships with cities, prefectures and departments. Tianjin municipality formed cooperative agreements with 20 provinces, cities and prefectures to transfer college students and 1,035 people with job-site training in 365 professions. Recently, units of the State Economic Commission organized four provinces and cities to provide needed support for Xizang, and formulated 70 support and cooperative projects. Another ten cities, departments and bureaus formed long term joint projects.

9. Continual Increases in the Income of Urban and Suburban Inhabitants. From January to November, the wages of city staff and workers increased by 6.4 percent over the same period the previous year; rural inhabitants who sold their agricultural side-line products to state operated and collective enterprises received 8.9 percent more income than in the same period the previous year. At the end of November, the whole country had excess savings deposits of 85.13 billion yuan, 26 percent higher than at the first of the year.

10. Steady Improvements in Economic Efficiency. In the budget, the total profits for the state-operated industrial enterprises add on a product sales tax, and, from January to November, this added up to 84.8 billion yuan, 6.5 percent higher than for the same period the previous year, and if the oil-burning special tax collected during the first half of last year is added on the figure then increases to 7.8 percent.

In the area of making up deficits and increasing surpluses, by the end of November, the number of deficit accounts was reduced by 4,252; the percentage of deficits was reduced to 17.5 percent from 27.9 percent for the same period the previous year, while the deficit amount was reduced 30.6 percent. This has never happened in the past several years. It is estimated that by the end of the year, the task of making up 32.1 percent of the national industrial enterprise deficit can be completed.

According to statistics, for quality indexes for 75 major products in 12 industry and transportation departments, from January to October, there were 64 projects that were stable or that improved, 85.3 percent of the total number. For consumption indexes for 105 major nationwide products, from January to October, 51 items declined and 28 held steady, for a combined total of 75.2 percent. It is estimated that the 1983 nationwide plan for standard coal savings of 15 million tons can be completed. In the whole people ownership system enterprises, the labor productivity for all personnel, from January to October, was 6.9 percent higher than in the same period the previous year. The overall costs for comparable products, despite increased prices for fuel and raw materials and decreased prices on some of the products, nonetheless still declined 0.4 percent from January to October.

Comrade Zhao Weichen finally said that the whole country has a rosy economic situation and provides inspiration for the people. This is the result of hard struggle and enthusiastic efforts and is an accurate manifestation of all party principles and policies. However, it must also be seen that the present economic work still has many problems. A prominent problem is that the socio-economic benefits are not ideal; a relatively prominent problem is the contradiction of energy and transportation with raw materials; there also is a considerable gap between social purchase power and commodity supply; there is relative weakness in enterprise ideological and political work; and the enterprises have low quality and an inferior capacity to change.

11582

CSO: 4006/264

ECONOMIC MANAGEMENT

REGULATIONS ON PROCESSING SIDELINE PRODUCTS

OW041453 Beijing XINHUA Domestic Service in Chinese 0050 GMT 4 Mar 84

[Text] Beijing, 4 Mar (XINHUA)--On 25 February, the State Council promulgated a set of "Regulations on Some Problems in Organizing and Developing Local Processing of Agricultural and Sideline Products." This set of regulations is of great significance in arranging surplus rural labor forces, doing a good job in the consolidated utilization of agricultural and sideline products, developing rural commodity production, and enlivening urban and suburban markets.

The "Regulations" point out: While continuing to do a good job in running existing agricultural and sideline-product processing plants located in cities, at ports, and along transport routes, and in managing the existing urban light industries and export-processing bases, it is necessary to disperse those agricultural and sideline products that are suitable for local processing to rural areas for such processing to the extent possible, in accordance with economic and rational principles, so as to bring into full play the role of specialized (key) households and spare labor forces in these areas. From now on, all newly added agricultural and sideline-product processing facilities suitable for rural areas should be installed in such areas to the extent possible.

The "Regulations" stipulate: In distributing the raw materials of agricultural and sideline products, it is mandatory to ensure that the unified procurement tasks (including excess procurement) and the assigned procurement of important agricultural and sideline products specified by the state are fulfilled. The quality and the supply of agricultural and sideline-product raw materials needed by major processing industries and for manufacturing fine-quality, famous-brand products and export products must be guaranteed. The agricultural and sideline products that are left over after the fulfillment of the tasks of state unified and assigned procurements, and are not included in unified and assigned procurements may be processed locally by the producers. If the form of processing is suitable for separate processing, this may be done by individuals. If the processing technology involved is relatively complex and the quality standards of the products are relatively high and require combined processing, this may be done by state enterprises, by supply and marketing cooperatives, or by other collective economic organizations. Such processing may also be run jointly through various methods.

To prevent impulsive, excessive activities and the blind development of local processing of agricultural and sideline products, the "Regulations" stipulate: It is necessary to map out unified plans and rationally determine the orientation and distribution of local processing activities with each county, or economic district of a province, as a unit. It is also necessary to correctly handle the relationship between the state and the collective, between combination and separation, and between urban and rural areas; to do a good job in balancing and coordination among the departments concerned with the local processing of agricultural and sideline products; and to take into consideration the interests of the state, the collective, and the individual. The central and local departments concerned should all actively support the development of local processing of agricultural and sideline products and should provide preferential conditions in extending loans, setting prices, collecting taxes, and providing supplies for remote and minority-nationality areas.

The "Regulations" also point out: Agricultural and sideline-products processing enterprises must abide by state policies and decrees, strengthen management and administration, guarantee product quality, strictly fulfill contracts, and pay taxes and fees according to the law. In carrying out the processing of agricultural and sideline products, no activities undermining state procurement plans, falsifying facts, lowering quality, cheating the state and customers, polluting the environment, or evading taxes are allowed. Those who are engaged in food and nonstaple-food processing are not permitted to violate the stipulations of the food sanitation laws. Anyone who commits such violations will be dealt with according to law. Appropriate production activities and the legitimate incomes of the processors of agricultural and sideline products are protected by state laws, and no units or individual is allowed to encroach upon or impair their legitimate rights and interests.

CSO: 4006/341

ECONOMIC MANAGEMENT

RAILROAD UNITS HELP STEEL PLANTS WITH PRODUCTION

HK271419 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 25 Feb 84

[Text] With the support of metallurgical departments in two provinces, Sichuan and Guizhou, railroad departments in three provinces, Sichuan, Yunnan, and Guizhou, have cooperated to solve the problems of supplying and transporting some raw materials which are needed in production by the Shuicheng iron and steel plant in our province, the Guizhou steel cable plant, the Guiyang steel plant, and Panzhihua iron and steel company in Sichuan. They have provided good experience in exploiting the big southwest of the country.

The Shuicheng iron and steel plant in our province and the Guizhou steel cable plant lack steel billets for production. Guiyang steel plant needs some [words indistinct] in steel smelting. Panzhihua iron and steel company can now supply some of these raw materials. However, Guizhou can also provide some of the mineral powder and silicon manganese alloys which the company needs for production. After consultation, both sides have agreed to support each other. The Guizhou provincial economic committee and the Sichuan provincial economic committee have greatly supported this deal. The Chengdu and Kunming railroad bureaus have made great efforts to exploit the big southwest of the country. They have promptly organized the Xichang, Kunming, and Guiyang railroad subbureaus to carry out the plans for transport. After repeated study, it has been decided that eight trains will be assigned to carry out the transport task. The raw materials which are needed by the Shuicheng iron and steel plant, Guiyang steel plant, Guizhou steel cable plant, and Panzhihua iron and steel company are to be transported over the three main Chengdu-Kunming, Guiyang-Kunming, and Sichuan-Guizhou railroad lines. The longest distance is about 1,100 kilometers. It is the first time such a long distance transport in the southwest of the country has been organized. There are not many such long distance transport lines in the whole country.

In accordance with the agreement, this year, the Panzhihua iron and steel company will supply the three enterprises in our province with 130,000 tons of steel billets and [words indistinct], which are more than last year. After these raw materials are transported and processed, the 3 enterprises will increase their profits by over 10 million yuan. It is estimated that this year, our province will supply the Panzhihua iron and steel company with one-sixth of the annual amount of mineral powder the company needs.

CSO: 4006/341

FINANCE AND BANKING

INCOME FROM INSURANCE PREMIUMS INCREASES IN 1983

Beijing JINGJI RIBAO in Chinese 5 Jan 84 p 2

[Article by Zhao Xiaoguang [6392 2556 0342]: "Insurance Business Up by Large Margin Last Year"]

[Text] In 1983 China's insurance undertakings developed markedly. According to statistics compiled by the People's Insurance Company of China, insurance premiums collected at home totaled more than 900 million yuan. Insurance premiums collected abroad reached 280 million yuan. The national income from insurance premiums increased about 20 percent over 1982.

In recent years, the economic compensation provided by insurance services has played an important role in the national economy. Insurance work is drawing more and more attention from the people. An increasing number of units and individuals bought insurance in 1983. This year insurance companies throughout the country provided property insurance for 750,000 collective enterprises and 5 million households, a 100-percent increase over 1982. In 1983, 800,000 motor vehicles, 37 percent of all motor vehicles in the country, were insured, an increase of 250,000 vehicles over 1982. The number of automobiles and tractors insured in rural areas was higher than the number insured in urban areas. This shows that commodity production and circulation in the rural areas has expanded. In 1983 insurance companies throughout the country paid 500 million yuan for various kinds of damages. This has helped stabilize state revenue and expenditures and helped those enterprises and individuals suffering losses to restore production quickly and get back to a normal life.

In order to suit the needs of the development of insurance undertakings, the State Council has declared that beginning 1 January 1984, the People's Insurance Company of China will officially become a bureau-level economic entity under the direct control of the State Council and that it will exercise direct leadership over its subsidiaries. A responsible person of the People's Insurance Company of China said that in the new year, insurance companies should continue to implement the principle of vigorously but safely developing insurance undertakings to serve industrial and agricultural production, continue to consolidate and expand insurance services in urban areas, increase the number of customers, actively promote motor vehicle and household property insurance, actively carry out a livestock insurance service in rural areas on a trial basis, strive to provide economic protection for specialized and major households in rural areas and create a new situation in socialist insurance undertakings with Chinese characteristics.

FINANCE AND BANKING

CONTROL OF CIRCULATING FUNDS IMPROVES ECONOMIC RESULTS

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 12, 4 Dec 83 pp 20-21

[Article by Huo Mingguang [7202 2494 0342], Vice Governor of Jilin Province: "Raising Economic Results Requires Effective Control and Use of Circulating Funds"]

[Text] The decision of the State Council to change to unified control of circulating funds in state enterprises by the People's Bank is an important reform in the system of managing circulating funds, and is also an important organic component of the reform of our entire economic system. The decision is of major significance for the strengthening of the control over circulating funds, for the promotion of enterprise readjustments, for the improvement of enterprise management, for the concentration of funds needed to ensure completion of the key construction projects and for the raising of economic results.

Correct Guiding Ideology; Put Emphasis in Fund Management on Raising Economic Results

The key in reforming and strengthening circulation-fund management, and in raising the benefits from the use of funds, lies in correcting the guiding ideology and in really bringing fund-control work on a course that has raising of economic effects as its core concern. During the last 2 years, when our problems of proper guiding ideology were resolved step by step, when enterprises underwent reorganizations, when financial work was improved and a responsibility system was instituted for fund management, there was some improvement in the effective use of funds. However, we must also see the fact that due to the prolonged exposure to "leftist" ideological influences, certain enterprises continue to be plagued with such problems as overestimating the importance of output values as against fund-use methods, disregarding economic results, as well as lack of cost computing, indifference to business accounting and the condition of "everybody eating from the same big pot." It is, therefore, still an important problem, which urgently demands a solution, to further eliminate the influences of "Leftist" ideology and to achieve a correct guiding ideology in our work of managing circulating funds. It is the following series of ideological and conceptional problems that we now have to resolve, effectively and in an accurately directed manner.

Some comrades perceive production as more important than achieving beneficial results. They believe that as long as output value and production quantity go up, it does not matter what amount of funds are being tied down. They do not see the proper relationship between production and funds, and between rate of growth and economic results. They do not understand that the fundamental goal of operating enterprises in a socialist state is to create additional material wealth for society and to accumulate additional construction funds for the state. To achieve this goal, it is again necessary to achieve the best economic results, tying up the least amount of funds and achieve the fastest possible turnover of working funds. Whether speaking from the standpoint of the entire society or the standpoint of our enterprise, the following two demands must be fulfilled in the use and management of circulating funds: 1) the value magnitude of the funds must be fully compensated; the funds invested in production or business must be fully recovered; 2) a certain increase in value must result from themovement of the funds; funds invested in production and business operations must bring a certain measure of profits. Only if these two conditions are firmly grasped, will the use of the funds be fully effective and attain the goal of expanding reproduction. On the other hand, considering production more important than proper fund management will quite possibly result in irrational industrial production, irrational commercial purchases, large-scale overstocking of goods and the loss and wastage of funds. It is, therefore, necessary to have a correct concept, and to deal correctly, with the relationship between production and fund management and to ensure that funds invested in production or business operations achieve appropriate economic results.

Some localities and enterprises ignore tapping inherent potential, holding the view that if the banks refuse credit, it means that they refuse to support production. These comrades do not understand the axiomatic truth that tapping of internal potential will reduce spending on interest and will correspondingly increase the profits of the enterprise. Stubbornly insisting on increased credits must naturally lead to higher interest payments and will correspondingly reduce profits, waste state funds, affect the balance of credits and have very harmful consequences.

In order to fulfill their profit plan, to retain larger withholdings, to issue more bonuses, some enterprises violate regulations by short-reporting expenditures, short-applying depreciation funds, not recording losses of assets that should be written off, by resorting to deception, falsely declaring as gain what actually had been a loss and tying up large amounts of circulating funds. Although these enterprises may gain some advantages for a time, they put an extra load on the back of the state. We must draw lessons from the past and unequivocally establish a proper relationship between circulating-fund control and the raising of economic results. We must seek beneficial results by an overall improvement of management and administration and a reduction in the amount of funds tied up, and seek beneficial results by reducing material and financial losses. We must exert ourselves in the following directions: the average annual amount of circulating funds tied up must not exceed the allocated amount; we must

fulfill and improve on the norms for fund turnover; we must not allow material overstocking in any one year; we must not have extra-plan losses or tying up or diversion of circulating funds; we must have correct accounting of business results of enterprise operations; gains and losses must be true to facts; we must allow no new charge accounts. If we could only straighten out the guiding ideology in every enterprise as to the proper management of funds, the work of controlling the circulating funds would certainly take on a new aspect.

Perfect the Responsibility System for Fund Management

Instituting a responsibility system for fund management, establishing strict fund controls and a system of economic accounting are excellent methods of strengthening circulation-fund management. In the last 2 years, during the process of enterprise reorganizations and strengthening of financial management in Jilin Province, some enterprises established fund-control and accounting systems. They turned their systems of free internal exchanges of materials into "purchase and sales" relationships with exchanges at equal values and had all production and business operations recorded in an internal accounting system, thereby raising the quality of fund management. Their experiences were: 1) They established from top to bottom an organized management of funds with particular persons at every level charged with the handling of this work. 2) They established an overall system of management by fixed norms. According to advanced and reasonable principles, they determined norms for materials consumption, use of funds, requirements for man-hours, labor consumption and equipment utilization. At the same time, they also instituted measuring and testing methods to check weights and quantities, so that the conditions of norm performances were correctly indicated. 3) They established a rational internal pricing system. They determined rational internal prices for raw and other materials, fuel, motive power, semifinished and finished products, services, etc., and used internal funds to effect exchanges at equal values. 4) They established a system of strict evaluations and settlement of accounts. Evaluations were promptly performed on all products and business activities and based on fixed norms and standards. Settlement of accounts was prompt according to internal prices. Rewards and penalties were meted out with fairness, and the interests of the individual staff and workers were directly linked up with the results achieved in the operations of their units. At the same time, the buildup of a finance and accounting contingent in the enterprises and sustaining the financial and accounting staff in adhering to proper principles and to successfully accomplish cost and fund management. Practice has proved that the establishment of a responsibility system in fund management and the establishment of a system of controlling circulating funds and business accounting aroused the enthusiasm of the large number of staff and workers to participate in the management and proved to be a pioneering feat in improving business management in enterprises. Enterprises that acted in this way gained obvious beneficial results, their production increased, fund requirements declined and profits rose.

Strengthen Leadership; Bring the Functional Role of Banks Fully Into Play

To accomplish good economic work and raise economic results, it is necessary to strengthen circulating-fund management and bring the role of banks fully into play. Banks constitute a comprehensive sector of the national economy and a pivot of all financial activity. The economic activities of all the various departments and the changes in market conditions are all made evident through the increase or reduction of bank credits and the cash transactions of the banks. Banks make timely studies and analyses of existing problems and various trends in production or circulation, and this work furnishes information to governments at all levels, serving as data for their policy decisions and guidance of the economy. Banks also fulfill an important regulating function in the economic life of society; they regulate production and circulation by granting or recalling credits, by issuing or withdrawing currency, by raising or lowering interest rates and other such economic measures. If an early change is to be brought about in our province's tying up large amounts of funds, slow turnover and inadequate economic results, our attention must be directed to bank operations, and we must support bank readjustments. We must provide for an efficient leadership at all levels of bank administration, build up an effective contingent of cadres, staff and workers and improve their political and professional qualifications. The local governments must also support the banks in the correct performance of their functions, help the banks remove any obstacles in their work and coordinate well their relationships with various quarters. In vitalizing the economy and promoting readjustments, the banks must fully assert their due role.

The banks must also pay attention to the effective handling of their service and supervisory relations. The provision of funds and the granting of credits has to depend on whether such measures will benefit production development, vitalize the economy and raise social economic results. Banks must also rectify unhealthy tendencies in fund management; under no circumstances must they favor certain factories or stores for personal reasons or issue "personal favor credits."

Certain leading comrades in some of our government departments always pay attention only to the money of the finance administration and give insufficient attention to the money of the banks. Though it is not wrong to give attention to the money of the finance administration, most of the money now used in production and circulation is bank money. It is, therefore, necessary to pay the same attention to bank money as is given to money of the finance administration. In actual fact, if bank work is effectively taken in hand, the economy will develop and economic results will go up.

The unified control of circulating funds by the People's Bank is a task that involves a wide range of affairs and is of a strong policy character. The people's governments at all levels must strengthen their leadership in this work and organize relevant departments to closely cooperate, so as to jointly do an effective job. The various departments of the finance

administration, together with other relevant departments, must also help the enterprises in their work of effectively tidying up materials and fund questions and to liquidate all leftover problems in the enterprises. Any leftover problems that come to light, and can be dealt with, must be dealt with as quickly as possible, so as to build up an excellent foundation that will allow us to strive for a turn for the better in the financial and economic conditions of our province. The economic committees at all levels and the leadership in the enterprises bear a heavy responsibility for the reform and strengthening of circulating fund management. They must take the initiative to cooperate with the banks and help the enterprises under their jurisdiction to strengthen economic accounting, economizing in the use of funds and take production as well as fund management and the achievement of economic results firmly in hand, so as to spur on the enterprises in their efforts to completely fulfill the various economic norms.

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CSO: 4006/193

FINANCE AND BANKING

BANK OF CHINA FOREIGN EXCHANGE CAPABILITIES DISCUSSED

Beijing JINGJI RIBAO in Chinese 28 Dec 83 p 2

[Article by Yao Jiqi [1202 3444 1142]: "The Bank of China Must Develop an Even Greater Role in Technological Transformation"]

[Text] To import advanced foreign technology and equipment, one must have a source of foreign exchange funds. Our country's foreign exchange funds are limited, and in taking in and utilizing foreign funds we must fully develop the role of the Bank of China.

The Bank of China is the nation's foreign exchange specialist. It bears the heavy responsibility of raising money and putting foreign exchange to use on behalf of the state. From 1979 to the end of 1982, fund raising organized by the Bank of China provided utilizable foreign funds amounting to approximately 82.1 percent of the total foreign funds taken in throughout the country during the same period. According to incomplete statistics, from 1973 to November of 1983 the Bank of China granted foreign exchange loans of \$2.09 billion, all told, to more than 6,000 medium and small enterprises nationwide. It supported imports of advanced foreign technology and equipment by these enterprises, raised the level of production technology, improved conditions of production, enlarged productive capabilities, raised the quality and quantity of goods, increased the variety of colors and designs, improved the packing and decoration of exported merchandise and attained fairly good economic results. According to statistics on the more than 2,600 projects that have already paid off their loans, since these projects were put into operation there have already been increases of 5.7 billion yuan in output value, of more than 700 million yuan in tax revenues, of more than 900 million yuan in profits, of 2.6 billion yuan in foreign trade purchases and of more than \$1.2 billion in foreign exchange. This made a definite contribution to the advancement of the technological transformation of existing enterprises.

The Bank of China's banking organization has many network outlets and many overseas banks that act as proxies, and it has an extensive range of connections. It enjoys a good reputation internationally, and it can borrow foreign exchange funds for domestic use from foreign banks on relatively favorable terms. As a result of the Bank of China's abundance of overseas organizations and the location of proxy banks everywhere in the world, it has quite an intimate understanding of international money market

quotations and can provide services to enterprises with respect to currency selection, changes in the exchange rate, investigation of foreign traders' credit, client introductions, market forecasting and other aspects. It can also provide informational materials to enterprises on international financing, the importation of technology and equipment, export goods production and sales and on other fields for each department's or enterprise's reference.

In order to suit the needs of national economic construction and the technological transformation of enterprises, over the past year the Bank of China has handled a great deal of new credit business. It has expanded from handling loans in American dollars to handling loans in five currencies: American dollars, Japanese yen, Hong Kong currency, English pounds and West German marks. On the basis of the startup in short-term foreign exchange loans, it has added foreign exchange loans for imports and exports on buyer's credit, foreign exchange loans at low interest, special type-A and type-B foreign exchange loans and Chinese and foreign joint-capital enterprise loans. In RMB loans, not including foreign trade loans, it has added loans that combine RMB as a set with foreign exchange, short-term export commodity loans and medium- and long-term renminbi loans on ship and machinery exports. Types of loans have increased continuously, to keep abreast of the need for more kinds of funds, a need that is characteristic of our nation's current technological transformation of enterprises.

Not only are the types of loans at the Bank of China numerous but its practices also are many and varied. One can borrow foreign exchange and repay foreign exchange, or one can borrow foreign exchange and repay in RMBs. Enterprises which have a source of foreign exchange and need to import technology and equipment can borrow foreign exchange and repay foreign exchange. Those enterprises which have a source of foreign exchange and need to buy equipment on the domestic market can borrow through a special type-A foreign exchange loan, convert the foreign exchange into RMB for internal use and then, when it matures, repay in foreign exchange. Enterprises which do not have a source of foreign exchange and need to import technology and equipment from abroad can borrow and use foreign exchange, and, when it comes due, can use RMB to buy foreign exchange for the repayment. Enterprises can, according to the circumstances, apply for various kinds of loans, and they can apply for one kind or for several kinds.

In order to support the technological transformation of enterprises better, the Bank of China in accordance with general and specific policies of the state, has lowered the interest rate on foreign exchange loans. The annual interest on loans with favorable interest rates has already been lowered to the current 7.5 to 8.5 percent from the 10 to 12 percent of the beginning of last year. The scope of the Bank of China's low-interest loans is constantly expanding. Except for same-trade domestic enterprises and "three-capitals" enterprises--namely, those financed with joint capital, overseas Chinese capital or monopoly capital--all domestic enterprise, cultural, educational, health, research and travel units, engineering

units with foreign contracts and others can utilize low-interest loans. At the same time, the Bank of China has also increased the volume of low-interest loans from the original \$1 billion to \$2 billion.

A leading comrade of the central authorities has pointed out that "taking advantage of foreign capital through the Bank of China is extremely effective and has great potential." He also requested that "the Bank of China should develop an even greater role in national economic construction." Therefore, in the task of utilizing foreign capital to import technology and transform existing enterprises, each department and locality should attach increasing importance to, and develop the role of, the Bank of China. The Bank of China must also continue to improve its working style and its service attitude. It must unceasingly develop foreign exchange credit and RMB credit business and develop an even greater role in the technological transformation of medium and small enterprises.

12510

CSO: 4006/229

FINANCE AND BANKING

1983 STATE REVENUES, EXPENDITURES LARGELY ON TARGET

Beijing JINGJI RIBAO in Chinese 21 Dec 83 p 1

[Text] By the end of November, state revenues had fulfilled 89.8 percent of the year's budget. Calculated according to comparable specifications, the revenues showed a 3.3 percent increase over the same period last year. State expenditures had fulfilled 87.7 percent of the year's budget, an increase of 10 percent over the same period last year.

A look at the revenues category by category shows that railroad, communication, civil aviation, tariff, agricultural tax and construction business revenues all had already surpassed their budget goals for the entire year ahead of schedule. A look at the regions reveals that Nei Monggol, Ningxia, Xinjiang, Jilin, Jianxi, Guizhou, Yunnan, Gansu, Qinghai and other provinces and prefectures have already surpassed their budget goals for the year.

The leading cadre concerned in the Ministry of Finance has pointed out that there are still a few problems in the finance work. The major one is that among categories and among regions the rate of progress in the receipt of state revenues is uneven. Individual regions are rather deficient in the rate at which revenues fulfill the budget. Lowering costs and reversing deficits still have not achieved the requirements of the budget. Financial management and supervision have not been rigorous, and instances of tax evasion and violations of financial and economic discipline are still quite serious.

This leading cadre said that in the short time remaining between now and the end of the year, those which have already accomplished their missions, particularly those regions and departments which are rather slow in their rates of progress, must take steps and strive to accomplish and surpass their revenue missions. Every locality must pay special attention to the overall financial inspection and prohibit year-end spending sprees.

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CSO: 4006/229

FINANCE AND BANKING

INITIAL RESULTS OF OVERALL FINANCIAL INSPECTION

Beijing JINGJI RIBAO in Chinese 23 Dec 83 p 1

[Report by correspondent Gao Yongyi [7559 3057 3015]: "Initial Results Obtained in Overall Financial Inspection"]

[Text] In the time since the national overall financial inspection was launched in October, initial results have already been obtained. According to incomplete statistics that the Ministry of Finance has on 25 provinces, municipalities and autonomous regions, up to the first 10 days of December the amount of money involved in violations of economic and financial discipline that have been investigated amounted to 2 billion yuan altogether. The portion of this which could be added to revenues amounted to 1.1 billion yuan; that which had already been paid amounted to more than 600 million yuan.

For this financial inspection the State Council unified and organized 17 work groups. Among them, 3 groups will principally inspect the central state departments, and the other 14 groups will be divided among 28 provinces, municipalities and autonomous regions (except for Xijiang), where they will supervise, urge on and expedite the inspection work. Each province, municipality and autonomous region has also transferred several tens of thousands of finance and tax personnel to participate in this overall financial inspection. At present, violations of financial and economic discipline totaling more than 100 million yuan have been uncovered through this inspection in Hebei, Liaoning Heilongjiang, Shanghai, Jiangsu, Shandong, Henan, Hubei, Guangdong and nine other provinces and municipalities. Amounts of more than 50 million yuan have already been paid by Hebei, Shanghai, Henan, Guangdong, Shandong and five other provinces and municipalities.

According to a statement by the leading cadre concerned in the Ministry of Finance, from an investigation of the current state of affairs in unfolding mutual inspections, reexaminations and major spot checks in every locality and department, it has been discovered that the financial self-inspections of many units are not thorough, and that external assistance is needed. Shanghai's Third Bicycle Plant claimed year after year to have no problems with its financial self-inspection. This year the Shanghai

Finance Bureau's Third Sub-bureau uncovered tax evasion and profit concealment at this plant amounting to 2 million yuan. Five enterprises in Changsha, Hunan Province, uncovered only 150,000 yuan in discipline violations in their financial self-inspection. After the inspection group's spot check, 1 million yuan in discipline violations were discovered. This kind of situation illustrates that in the overall financial inspection, although it is necessary to require enterprise self-inspection, to have only self-inspection, and not mutual inspection or spot checking, is unacceptable. Someone must be appointed to spot-check those enterprises which have large revenues or which have chaotic financial administration. Only in this way can the financial inspection be done well and token efforts be avoided.

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CSO: 4006/229

FINANCE AND BANKING

BANKING REFORM MAKING NORMAL PROGRESS

Beijing ZHONG GUO JINRONG [CHINA'S BANKING] in Chinese No 12, 4 Dec 83
pp 2-3

[Article by staff commentator: "Raise Knowledge, Effectively Carry Out Banking Reform"]

[Text] The banking reform, which has as its core establishing the Chinese People's Bank in the particular function of a central bank, is at present in a state of active progress according to the decision of the State Council and the concrete dispositions of the head office of the People's Bank. The reform is making normal progress. To ensure the thorough execution of the reform, the problem that in our opinion deserves serious attention now is to continue to guard against and overcome fears of difficulties and anxieties of various kinds. We must be deeply aware of the necessity for the reform and adopt an attitude of forging ahead with initiative to win victory in this reform. It is mainly a question of cognition, only with a heightened comprehension and the right mentality can this reform persevere in the right direction, and only then can we retain the initiative to forge ahead with the spirit and attitude befitting this reform. Any difficulties and problems will then also be easy to overcome and solve.

The editorial of the preceding issue of this journal already talked about the question of the State Council's decision of having the Chinese People's Bank assume the special functions of a central bank evolving from the actual conditions of the present economic situation, from the reform of the banking system itself and from the reforms in our economic system. The fundamental starting point was to bring the active role of the People's Bank and of the specialized banks one step further into full play in the development of the economy and the innovation of our technologies, to promote the implementation of the state's macrocosmic economic policy decisions and to promote the normal progress of the four modernizations. In our opinion, this point has to be stressed again at this juncture to heighten awareness of the problem. This is the only way for us to fully realize the necessity and urgency of carrying out a banking reform now, to visualize the overall situation, to see the whole, to see the roots and the direction. Only in this way can we also strengthen the confidence and determination in this reform and liquidate

all thoughts of "maintaining the status quo" and "taking the road of regression" in the question of banking reform. As to the difficulties and problems in banking reform work, we must, of course, also be well aware of them and give them our attention, but also earnestly work to resolve them. However, that is, after all, a secondary matter and must not shake our confidence and determination. Our heightened awareness is, therefore, now still a key problem in pursuing the banking reform.

The present economic situation demands that we speed up the progress of the banking reform. The present economic situation is by and large good. The main existing problems are the rather haphazard control and use of state funds, the loss of control over general capital construction projects and over the expenditure of consumption funds, as well as the precarious state of the state's key construction projects. From the viewpoint of banking operations, there is also the haphazard manner in which credit funds are controlled and used and the way currency is brought into circulation in larger quantities than actually required by production and circulation increases. All these problems have a bearing on the large problem of realizing our grand plan, and we must be determined to solve them. Our efforts to solve these problems have to start out from a number of different points, and one important point in this respect is the strengthening of the centralized control of funds and an appropriate tightening of the money market. If this work is effectively done, it can possibly guide our economic work in a direction that will fully meet the demands of the state's macrocosmic policy decisions on the economy. The banks are the main pivot for all social fund activities, the main sluice gate for the issue of currency and the heart of all credits, settling of accounts, and cash receipts and expenditures. They are also the sector entrusted by the state with the control of the circulating funds of enterprises, and they also must, and furthermore can, play a role in the control of circulating funds and the implementation of the macrocosmic policy decisions of the state in the economic field. However, the present banking organization and the actual working conditions of the banks are not yet consistent with these demands. The People's Bank is performing a heavy load of routine duties in connection with industrial and commercial credits, savings, etc., and would find it very difficult to allot extra time to work on the implementation of financial macrocosmic policy decisions. The various specialized banks have played an important role in recent years in economic development and technical transformations, but due to the limitations of their spheres of activities, they too can hardly be expected to shoulder the task of working for the implementation of financial macrocosmic policy decisions. There is, furthermore, a pressing need for an organization charged with these policy decisions in the financial field, to exercise coordination and guidance of all business activities of the specialized banks. Faced with these conditions, the State Council decided to have the People's Bank assume the special functions of a central bank and become the state organ which will exercise unified leadership and control of financial affairs for the State Council, which will also concentrate a force for the study and effective determination of a macrocosmic policy of national finance, and which will strengthen

credit fund controls and ensure the stability of the currency. We have to face up to all these facts as the only way that will make us realize the necessity and urgency of banking reforms and the only way that will enable us to come to the firm decision to effect banking reforms.

We must also take note of the fact that the starting point and fundamental objective for our banking reform is to bring the role of banks one step further into play in economic development, technological innovations and readjustments in the national economy, to improve the quality of bank controls, to establish consistency between the control system of the banks and the control system for all economic work, in order to gradually build up a uniquely Chinese system of socialist finance. This is not merely a demand on the People's Bank, but one that comprises all specialized banks and other financial institutions; they must all make efforts to advance in this direction.

The banking reform must be consistent with the demands of the present overall reform of our economic organization. A reform that will bring the bank's role as the economic pivot for credits, interest rates, etc. more fully into play, and will promote penetrating reforms of our entire economic organization. The State Council's decision to have the People's Bank assume the special functions of a central bank is based on just this kind of spirit and as such is a great step forward in this direction. To explain why this is so, it may not be amiss here to view the relationship of certain fundamental demands of the present economic reforms with the banking reform.

In his report to the 12th CPC Congress, Comrade Hu Yaobang pointed out: "Correct implementation of the principle of relying mainly on a planned economy while accepting market regulation as a subsidiary measure, is a cardinal question in the reform of our economic system." We understand this to mean that under the prerequisite of upholding the state plan and effecting macrocosmic control and guidance of the national economy, we must give full play to the active role of a variety of economic patterns in the development of our economy. On the one hand, the primary-subsidiary relationship and the necessity of maintaining a planned economy while also utilizing market regulation is made clear here, and at the same time the extreme importance of effecting macrocosmic control of the national economy by maintaining planned economy is also clearly stated. The present banking reform is carried out exactly for the purpose of acceding to this principle and promoting this principle. If the State Council now demands that the People's Bank as central bank "concentrate a force for the study and effective determination of a macrocosmic policy of national finance, strengthen credit fund controls and ensure the stability of the currency," it is exactly demanding, under the aspect of fund control and currency circulation, that the bank more effectively implement the above-stated principle, promote economic development and promote the smooth progress of the reform of our economic system.

In our management of the economy, we have for a long time been accustomed to using methods of administrative intervention. This is quite understandable under the historical conditions of the time, and it also showed a certain effectiveness. In the course of the reform of our economic management system, we have gradually come to realize that at the same time as we employ methods of administrative intervention in managing economic work, we must also be adept at utilizing the law of value, learn to utilize methods of market regulation and must furthermore adopt economic methods as main methods of economic management. In the last few years, the more extensive use by the state of such economic levers as prices, profits, taxes, credits, etc. to control the economy has been very effective. The banking reform must suit these requirements. When ordering the People's Bank to assume the special function of a central bank, the State Council pointed out: "In exercising its control over specialized banks and other financial institutions (including insurance companies), the People's Bank must in the main adopt economic measures." The State Council furthermore stipulated that in order to strengthen the centralized control of credit funds, the People's Bank must hold 40-50 percent of all credit funds to be used in regulating and balancing the state's credit operations. As to the relationship between the bank and the enterprises, service and supervision over production and business operations of enterprises was for many years effected through such economic levers as credit, interest rates, etc. In future, these economic levers will play an even more important role. At the same time as we emphasize the use of economic measures to control the economy, we must of course not ignore or relax methods of administrative intervention.

Under the conditions of the socialist commodity economy, in order to raise economic results and labor efficiency, it is absolutely necessary in our economic work that we strengthen economic accounting and adherence to the principle of material benefits. This is also what we should strive for in the economic reform which is now under way and in the reform of our banking system. After the People's Bank will have assumed the special functions of a central bank, the various specialized banks must assess the amount of funds to hold for their independent management. In their mutual business dealings and mutual accounts the specialized banks and the central bank, and the specialized banks among themselves, should charge interests and service charges, precisely to strengthen economic accounting and in accordance with the principle of material benefits.

The simple points raised above to clarify the direction of the present banking reform apply equally to the reform of the entire economic management system. They are, furthermore, helpful in promoting the reform of the economic management system and in raising the quality of bank controls. We must take advantage of this great opportunity when a reform of the entire economic system is under way, to speed up the progress of the banking reform. We must, on the one hand, remain clearly aware of certain difficulties in the banking reform work, but must be even more aware of the necessity and the beneficial conditions for the banking reform and realize the important role of banks in the economic construction. We will then have confidence and strength, and will in the end be able to overcome the difficulties, and will certainly achieve the objective of the reform.

FINANCE AND BANKING

INTEREST ON AGRICULTURAL LOANS ADJUSTED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 12, 4 Dec 83 p 35-36

[Article by staff commentator: "The Absolute Necessity to Adjust the Interest Rate for Agricultural Loans"]

[Text] The State Council approved the adjustment of the monthly interest rate for agricultural loans to 0.6 percent as from 1 January 1984 (for some parts as from 21 December of this year). The head office of the Agricultural Bank can adjust the interest rate up or downward within a range of 20 percent, to grant favorable treatment or collect higher interest. The conscientious implementation of the decision will have a positive effect on the use of loan interest rates as a lever, as a means of organizing agricultural funds and as support for further advances in the rural economy.

For a long time past, the state had adopted a low-interest policy for agricultural credits. That policy was formulated when agricultural production was a self-sufficient or semi-self-sufficient economy, when the peasants were engaged only in the cultivation of the land, when profits from agricultural production were low and when the price scissors existed between industrial and agricultural products. Since the 3rd Plenary Session of the 11th CPC Congress, great changes have occurred in the rural economy. Rural areas instituted the contract responsibility system with remuneration linked to output, production of commercial items took a flourishing development, many specialized households and key households emerged and economic results rose markedly. The state, furthermore, raised its procurement prices for agricultural products and peasant income increased tremendously. The profit margin in the various occupations, such as agriculture, forestry, animal husbandry, sideline production, fishing and such as rural industry, commerce, transportation and service trades, differed from one to the other with wide disparities and rapid changes. Commodity economy and credit relations turned brisker almost by the day, while the current interest rate for agricultural loans became inconsistent with the level of rural economic developments. Not only was the interest rate far too low, but within one class, interest rates were all the same for everybody. The rates were immutably fixed and in no way capable of serving as economic levers.

Another aspect of the matter is that following the institution of the contract responsibility system with remuneration linked to production in the rural areas, a change also occurred in the rural deposit situation. The proportion of deposits by commune and brigade collectives (at the interest rate of 0.15 percent) dropped, while the proportion of savings deposits by commune members (at the interest rate of 0.24 to 0.75 percent) greatly increased. Intermittently inactive funds derived from the production and business activities of various contract households, specialized households and key households were deposited in the banks, and interest for these accounts was calculated at the savings deposit rate. As a result, the costs generated by these deposits for the banks and credit institutions (average interest and expenses) greatly increased and brought about an unreasonable situation when the costs of rural deposits exceeded the interest obtainable from rural loans. Calculated according to available data, in 1982 the costs of savings deposits to the Agricultural Bank were 6.5 per thousand, while the average interest rate for agricultural loans was only 3.7 per thousand (monthly interest). When savings deposits were taken in to be loaned out as rural credits, an annual loss of 33.60 yuan was therefore incurred for every 1,000 yuan loaned out.

This inverted condition in the interest rates of rural deposits and loans brought about a number of negative effects for the development of the rural credit system and for the support of further advances in the rural economy: 1) It proved detrimental to the organization of rural funds sufficient to solve the fund needs of the overall development of the rural economy. The great strategic goal decided upon at the 12th CPC Congress was to quadruple industrial and agricultural gross output value by the end of this century. Agriculture is one of the strategic keypoints in this plan. As commodity economy greatly developed in the rural areas, more and more need arose for additional funds, but for a considerable time our state's financial departments will not be able to increase their investments in agriculture. The modernization of agriculture must, therefore, mainly rely on accumulations by the agricultural sector itself and on the rural banking institutions to do their best in organizing and regulating rural funds to be able to solve the money needs for the overall development of the rural economy. However, at present the agricultural banks and the credit cooperatives cannot achieve a reasonable profit margin when they accept rural savings deposits and give rural loans. On the contrary, they are losing money, and this impedes the development of the rural credit system. It is detrimental to the largest possible organization of idle funds in the rural areas and contradicts the demand for rural economic development. 2) It is detrimental to a full display of the lever function of interest rates, to the promotion of reasonable fund utilization by enterprises and peasants, to the strengthening of economic accounting, to the lowering of production costs and to raising of economic results. Furthermore, the inverted situation of deposit and loan interest rates can also easily be taken advantage of by a few people who may exploit the advantages it offers, namely by first taking out a loan, then depositing the funds and sitting idly thriving on the interest margin, thereby inflicting losses

on the state. 3) It is detrimental to efforts to clean up the situation of high-interest loan activities in the rural areas. At present, there is quite some free borrowing going on in certain rural areas. Some of the interests charged are several times higher than the bank interests, which is a reflection of demand for rural funds outstripping supply. If the rural credit system cannot be made to develop, it would be detrimental to displacing such high-interest borrowing activities, and this could have a detrimental effect on the benefits enjoyed by the peasant masses and on the development of the rural economy. 4) It is detrimental to the economic accounting of the Agricultural Bank and the credit cooperatives. The agricultural banks and the credit cooperatives form one economic entity. If they are to carry out independent accounting, each to be responsible for its own profits and losses, they will have to rely mainly on the margin between deposit and loan interest rates and could not rely on living off of their past gains. If the inverted situation of interest rates for deposits and loans persists for any length of time, the rural banking system will lose all its vitality. An adjustment of the interest rates for agricultural loans is, therefore, absolutely necessary to solve the problem of the inverted state of deposit and loan interest rates in the rural areas.

Some comrades are concerned that raising the interest rates for rural loans may increase the burden on the peasants. Judging by the actual conditions, this concern is unnecessary, because by borrowing funds to develop commodity production, the peasants can increase their incomes and profits. This being the case, it is absolutely reasonable to collect appropriately higher amount of interest from them. An investigation of typical cases in various rural trades in 21 provinces, municipalities and autonomous regions by the agricultural banks indicates that in land cultivation and breeding in 1982 the average profits were 24.8 percent, or 3.2 percent higher than in 1981. While loans provided for 41 percent of production costs, loan interest took up only 1.05 percent of the profits, or 0.2 percent less than in 1981. The average profits in the rural commune and brigade enterprises were 27.6 percent, or 2.2 percent higher than in 1981. While loans provided 47.3 percent of the total funds involved, interest took up only 5.5 percent of the profits, or 0.24 percent less than in 1981. The average profits in industrial, commercial, transport and service trades was 39.5 percent, but interest took up only 3.1 percent of the profits. This shows that an adjustment of the interest rate for rural loans will not increase the burden on the peasants. Again, theoretically speaking, interest rates must mainly be determined according to the average profit rates in the various trades. Under the socialist system, the determination of interest rates is first of all based on the general and specific policies of the party and the state, second, according to the average profit rates in the different trades, and third, on the consideration that a certain reasonable margin must be maintained between the interest rates for deposits and those for loans; the interest on loans must not be lower than the average cost of the deposited funds. The present adjustment of interest rates for rural loans was determined by giving consideration to all the above-stated overall principles. For trades in which

the state encourages production and business operations, which have a bearing on the national economy and the people's standard of living and where profit rates are low, the loan interest rates will be appropriately lowered, but for all other trades they will be appropriately raised. The preferential interest rates currently in force shall continue to be applied. Appropriate consideration will also be given to rural loans for remote or mountainous areas or to disaster areas. By the present adjustment of interest rates on rural loans, and the elimination of the inverted situation in interest rates existing in the rural credit system, and by abolishing certain other irrational conditions, we will further arouse the enthusiasm of the rural banking departments to exert themselves in organizing funds and to continuously expand credit operations, in order to make positive contributions toward the achievement of the strategic goal of agricultural development set forth at the 12th CPC Congress.

9808

CSO: 4006/193

FINANCE AND BANKING

RURAL BANKS PROMOTE COMMODITY PRODUCTION

Beijing JINGJI RIBAO in Chinese 4 Jan 84 p 1

[Article by Gao Yongyi [7559 3057 3015]: "Four Changes in Nation's Rural Monetary Work Virtually Accomplished"]

[Text] In 1983, in accordance with the need to stabilize and perfect the responsibility system of awarding contracts according to output, nearly 1 million staff members and workers of banking departments in rural areas throughout the country initiated "four changes" in rural monetary work and promoted commodity production in rural areas.

The first change is a change from mainly supporting communes, brigades and collectives in developing production to supporting contract households, specialized households and major households in developing commodity production. From January to November, agricultural banks and credit cooperatives issued 42.4 billion yuan in agricultural loans. About 18 billion yuan, or 42.5 percent, of these loans were granted to contract, specialized and major households, an increase of 127.8 percent over the previous year. In order to make banking more convenient for the "three households," rural banking departments have set up 32,000 more grassroots offices in the last year or so.

The second change is a change from mainly supporting agricultural production to supporting a comprehensive development of agriculture, animal husbandry, sideline production, fishery and commune- and brigade-run enterprises. This is to meet the needs of rural areas to transfer a self-supporting and semi-self-supporting economy to large-scale commodity production. From January to November 1983, loans given to communes, brigades, commune- and brigade-run enterprises and commune members increased by 11.7 billion yuan compared to the corresponding period of 1982. The structure of agricultural loans also changed substantially during this period. According to statistics compiled by Liaoning, Zhejiang, Fujian and Guangdong Provinces, in the first 9 months of 1983 a total of 3.6 billion yuan of agricultural loans (including grants for living expenses) were issued to communes, brigades and commune members. Forestry loans accounted for 4.2 percent, a 1.2-percent increase over the corresponding period of 1982; animal husbandry loans accounted for 6.4 percent, a 5-percent increase; sideline production loans accounted for 13 percent, a 6.5-percent increase; fishery loans accounted

for 4.9 percent, a slight increase; and farming loans accounted for 71.5 percent, a 14-percent decrease.

The third change is a change from mainly supporting production links to supporting both production links and circulation, processing, transport, marketing and supply links. All agricultural banks have actively transferred cash to support the procurement of farm and sideline products. From January to November 1983, more than 44 billion yuan of commercial loans were issued to rural areas, an increase of 1.98 billion yuan over the corresponding period of 1982. At the same time, 120 million yuan of short-term and intermediate-term equipment loans were also issued to cotton and grain production areas for use in repairing warehouses, grain and cotton processing factories and commercial networks.

The fourth change is that agricultural banks, which mainly used to handle agricultural loans and supervise appropriations, now handle all monetary affairs in the rural areas. In addition to handling agricultural credit and loan work and supporting comprehensive development of agriculture, forestry, animal husbandry, sideline production and fishery, agricultural banks now handle industrial and commercial credit and loan work and support comprehensive operations of agriculture, industry and commerce and the construction of rural areas and small towns. This has satisfied the need to develop a commodity economy in the rural areas.

12302

CSO: 4006/267

FINANCE AND BANKING

BANK MANAGER URGES BETTER COMMERCIAL CREDIT WORK

Beijing JINGJI RIBAO in Chinese 29 Dec 83 p 2

[Article by Gao Yungyi [7559 3057 3015]: "Bank Manager Han Lei [7218 7191] Asks Agricultural Banks to Improve Their Commercial Credit Work to Promote Circulation of Commodities"]

[Text] Han Lei, manager of the Agricultural Bank, recently spoke to reporters of the need for agricultural banks in the various localities to direct their efforts toward improving the work of extending commercial departments to speed up the circulation of commodities during 1984 in line with the policy of taking positive steps to reform the state commercial enterprises, to promote cooperative commercial enterprises and to develop to a suitable degree individual commercial enterprises.

Han Lei pointed out that since the development of production of commercial commodities in the rural areas, one problem that cries out for solution is that of circulation. Up to now, the problem posed by the "difficulty of buying and selling" has yet to be overcome. The agricultural banks at various levels should take it upon themselves to assist state commercial enterprises and the supply and marketing cooperatives in developing market outlets, to purchase from the peasants farm and sideline as well as local and special local products, to promote the sale of these products, and to make available to the rural areas and the means of production and articles of daily use required by the peasants. As regards state commercial enterprises, the supply and marketing cooperatives should exercise flexible control over the purchasing and selling prices of three types of subsidiary agricultural products according to the set policy and engage in competition and adjustment in the market. As regards the supply and marketing cooperatives, they should, in compliance with provisions set by the policy of the state, expand their operations in the buying and selling of subsidiary agricultural and rural industrial products and engage in operations as agents of the concerned companies. The agricultural banks should coordinate with and render their active support to the supply and marketing cooperatives in the extension of credit loans and in the settlement of accounts. As regards the construction of the basic facilities jointly erected by the state and the collective and individual enterprises to promote the circulation of commercial commodities, especially for cold storage, warehousing, transportation, rough processing and packaging, the agricultural

banks should lend their active support in accordance with the concerned provisions for medium-and short-term loans for the acquisition of equipment and promote such unified operations as procurement, processing and marketing by the commercial enterprises. The agricultural banks should also offer their active support to the establishment of more network outlets for the supply and marketing cooperatives in the remote and mountainous areas and areas inhabited by the minority nationalities.

As to how to render support to the cooperative commercial and individual commercial enterprises in the rural areas, Han Lei states that in the case of commercial enterprises in the rural areas engaged in such services as transportation of goods for sale, processing, storage, transportation, technology and repair set up by the communes and brigades prior to and following the start of production, the agricultural banks should help them overcome the difficulty posed by the shortage of funds and offer them information and guidance provided that they hold business licenses, that they abide by the laws and decrees of the state and that they have proved themselves capable of making repayment of loans. Loans should not, however, be extended to those enterprises engaged in the transportation of goods for sale which have failed to turn over to the higher authorities the quota of subsidiary agricultural products, which engage in the panic purchasing of products in short supply and which raise commodity prices without authorization. Loans which have already been extended to such enterprises should be recalled. Cases of a serious nature should be dealt with in concert with the concerned authorities.

Han Lei pointed out that in order to promote the production of commercial commodities in the rural areas, the agricultural banks must also give their support to the establishment of market towns which constitute the economic centers in the rural areas. Unless an impetus is given to the establishment of market towns, it will not be possible to further develop the production of commercial commodities in the rural areas. For this reason, the agricultural banks must take it upon themselves to extend loans when needed to the collective and individual industrial and commercial enterprises in the market towns, the food establishments, the hotels and other businesses which serve to promote production by the peasants provided that they have been approved by the industrial and commercial administration departments, that they hold business licenses, that they abide by the laws and decrees of the state, that they have a certain amount of circulating funds of their own, that they enjoy a good credit rating and that they have proved themselves capable of the repayment of loans in order to bring prosperity to the market towns and to create medium and small economic centers in the rural areas.

9621

CSO:4006/248

FINANCE AND BANKING

BRIEFS

REVENUE PLAN OVERFULFILLED--Shanghai, 1 Jan--Statistics released by the financial department of the city on 31 December 1983 at 9 pm revealed that revenue receipts of the city had exceeded the planned quota for 1983. On the basis of such factors as price readjustments of certain products and raw materials and the upgrading of certain enterprises, the plan for revenue receipts of the city had been readjusted by the state. During the past year, the responsible departments and enterprises at various levels, in line with the policy for readjusting the national economy and in keeping with the spirit of the "Emergency Notification Regarding the Need to Increase Revenues and to Reduce Expenditures to Ensure the Achievement of a Basic Balance between Revenues and Expenditures for the Year" issued by the State Council in August, have spared no efforts to consolidate the enterprises, to eliminate losses and increase profits, to increase incomes and reduce expenditures and to go a step further in reducing production cost and increasing economic efficiency to ensure the inflow of revenues. Since September of last year, the financial and taxation departments have engaged in a large-scale investigation into financial and taxation operations, stemmed the "escape, fraud, dripping and leaking," and ensured the payment of the proper amount of taxes and profits into the treasury. As a result, the financial receipts of the city during the past year exceeded by 0.8 percent the readjusted quota handed down by the state. [Text] [Shanghai JIEFANG RIBAO in Chinese 1 Jan 84 p 1] 9641

YUNNAN FULFILLS TAXATION PLAN--Thanks to the efforts of the tax departments of our province in implementing the tax policies and in increasing production and revenues, the plan for industrial and commercial taxes for the current year was overfulfilled on 20 November. This year, sugarcanes, tobacco and other cash crops suffered serious natural disasters and the tax rate for tea has been lowered. These factors affected the task of taxation to a certain extent. However, because of the industrial and agricultural production developments and the increase in commodity rate, and thanks to the active efforts of the tax cadres, the amount of industrial and commercial taxes collected showed an increase of 131.64 million yuan over the same period last year, and all the monthly revenues exceeded 100 million yuan. Such an achievement was unprecedented. The main reason why the province was able to overfulfill its taxation plan 40 days ahead of schedule this year was that the party committees and people's governments at all levels provided more active leadership over the work of taxation in addition to the setting up and strengthening of prefectural and county tax

organs. With the active support and close coordination of the departments concerned, the tax departments were able to strengthen their administration and to function more carefully than ever before. Another reason was the active cooperation between the tax and the other departments in promoting production and attending to the key sources of revenues. [Text] [Kunming YUNNAN RIBAO in Chinese 6 Dec 83 p 1] 9411

CSO: 4006/247

INDUSTRY

HEBEI RECORDS GROWTH IN INDUSTRY, COMMUNICATIONS

HK020814 Shijiazhuang HEBEI RIBAO in Chinese 20 Feb 84 p 1

[Report by Ji Tonggong: "Heartening Results in Hebei's Industrial and Communications Undertakings in January"]

[Text] Although it is still early spring, very good results in production have already been achieved on the industrial and communications fronts in our province as a result of starting early the activities of "bestirring ourselves to vitalize Hebei" and grasping our work firmly and carefully. In January, the total output value of industrial enterprises in the province was 2.172 billion yuan, an increase of 12 percent more than the same period last year. This value is an all-time high.

Industrial production in January this year had three characteristics: First, light and heavy industries developed simultaneously. Light industry increased by 14.4 percent and heavy industry increased by 9.6 percent. Second, various types of economies developed at the same time. Industries owned by the whole people increased by 12.6 percent. Industries owned by collectives increased by 8.7 percent. Industries under coordinated or joint management increased by 16.7 percent. Third, cities whose output value in industrial production accounted for a higher percentage increased more. Cities including Shijiazhuang, Tangshan, Handan, Baoding, Zhangjiakou, and Xingtai, which are directly under the province, all increased by more than 10 percent.

Communications and transportation have also gained a good momentum. The average number of carriages loaded per day by the Shijiazhuang Railway Subbureau exceeded the scheduled target by 21 carriages. The rotation volume of goods transported by the local communications system was 3.8 percent more than that in the same period last year. Tasks of transportation of goods and materials for state key construction projects by both railway and highways were quite satisfactorily fulfilled.

CSO: 4006/341

INDUSTRY

PROGRESS OF NINGXIA INDUSTRIAL ENTERPRISES DISCUSSED

Reduction of Deficits

Yinchuan NINGXIA RIBAO in Chinese 28 Oct 83 p 1

/Article: "Industry in Ningxia Makes Progress in Work to Reduce Deficits by Adopting Effective Measures and Concentrating on Economic Results"

/Text/ In the previous 9 months of this year, industries in Ningxia have achieved results in their work to make up deficits and increase surpluses. There have been obvious declines in deficits and increases in surpluses, as well as new increases in economic results.

From January through September of this year, the region's combined total value of industrial output completed increase by 14.7 percent over the same period last year. After balancing the profits and losses of state-run industrial enterprises in the budget, 30.31 million yuan in profits were realized, an increase of six times over the same period last year. Of this total, enterprises operating at a loss reduced deficits by 3.87 million yuan, a drop in losses of 16.9 percent. Profitable enterprises increased their profits by 21.807 million yuan over the same period last year, a profit increase of 79.3 percent.

A preliminary analysis of the situation shows that the rate of profit increases was fairly high in heavy industrial enterprises. By the end of September, they had made profits of 6.98 million yuan altogether, an increase of 168.5 percent over the same period last year. Among them, metallurgical, machine, national defense, petrochemical and construction materials industries had fairly high rates of surplus increases or deficit decreases. In enterprises under the region's jurisdiction, enterprises operating at a loss had a 9.2 percent decline in total deficits, while profitable enterprises increased their profits by 35 percent. A group of enterprises, including the Xibei (Northwest) Coal Machinery Plant, the Yinchuan Rubber Plant, the Yinhe Meter Plant, the Chang-cheng Machine Tool Plant and the Wuzhong Meter Plant, greatly increased their profits. There were even more obvious results in the work to make up deficits and increase surpluses in enterprises under city and county jurisdictions. None of the state-run industrial enterprises in Helan, Yongning, Taole, Qingtongxia and Yanchi Counties had deficits. State-run enterprises in the budgets of Yinchuan, Shizuishan, Zhongwei, Haiyuan and other cities and counties turned deficits into surpluses.

The main reason for the obvious increase in economic results of industries in Ningxia was a clearer understanding by leaders at all levels of the guiding ideology of concentrating on improving economic results in industrial production. They were determined to decrease deficits and increase surpluses, and made great efforts. The region's leaders themselves concentrated on decreasing deficits in plants that were operating at a loss and even set up individual points of contact. The region's people's government and related departments called several meetings and set a date for investigating the progress in the work to decrease deficits and increase surpluses. Managers of enterprises with deficits in Yinchuan City signed responsibility contracts setting a time limit for decreasing deficits.

By vigorously reorganizing the enterprises, all of the responsible industrial departments, bureaus and enterprises strengthened and improved administration and management, tapped latent potentials and strived to improve economic results. The Yinchuan Cotton Textile Mill was one of the primary deficit plants in Ningxia. After undergoing enterprise reorganization this year, they readjusted the leadership bodies, strengthened labor discipline and concentrated on product quality, thereby eliminating the burden of deficit operation of the enterprise. The plant had a net profit of 253,000 yuan from January through September. The Xibei Coal Machinery Plant used reorganization to improve results and realized 5.332 million yuan in profits by the end of September, an increase of more than 30 times over the figure of 183,000 yuan for the same period last year.

In this year's organization of industrial production, industrial and communications departments and enterprises universally paid attention to the relationship between speed and results, strove to achieve concurrent increases in speed and results and worked hard to make the results increase faster than the increases in speed. The rate of increase in the value of output in heavy industries this year was certainly not very great, but there were obvious improvements in economic results, mainly in product marketability. Product overstocks were greatly reduced and exaggeration in production was eliminated. There were increases to a certain degree in the production of household consumer goods, products to assist agriculture and export goods by heavy industrial enterprises. By using superior product quality and product types, the Dahe Machine Tool Plant has cornered the domestic and foreign markets. Machine tools are now being exported for sale in 55 countries and regions, and a full number of purchase contracts has already been signed for 1984.

Although there have been fairly good achievements in the economic results of industries in Ningxia in the first 9 months of this year, development has been uneven and there are still many problems. There are still 49 enterprises operating at a loss, with a total deficit of 19 million yuan. Three-fourths of the year have already gone by, and two-thirds of the deficit tasks have not been completed. There are many factors which will increase costs during the fourth quarter, and the reduction of deficits and increase of surpluses will be even more difficult. In order to complete and surpass the tasks of reducing deficits and increasing surpluses set forth by the Ningxia Forum on Industrial and Communications Work, the leaders at all levels and the broad masses of employees in the industrial and communication fronts in Ningxia must unite together, speed up their activities, concentrate more on work to decrease deficits and increase surpluses and strive to improve economic results.

Reorganization in Heavy Industries

Yinchuan NINGXIA RIBAO in Chinese 15 Nov 83 p 1

/Article: "Reorganization Brings Improved Results and Benefits--Following Reorganization, Five Key Enterprises under the Ningxia Heavy Industrial Department Increase Profits by 55 Percent over the Same Period Last Year"/

/Text/ Five key enterprises under the jurisdiction of the Ningxia Hui Autonomous Region Heavy Industrial Department have all improved economic results through enterprise reorganization. They were checked by related departments recently, and all of them met the specifications. The five enterprises were the Dahe Machine Tool Plant, the Changcheng Machine Tool Plant, the Shizuishan Steel Mill, the Xibei (Northwest) Bearing Plant and the Qingtongxia Aluminum Plant. The value of their output and profits amounts to over 75 percent of the total for enterprises under the department's jurisdiction.

The leaders of these five enterprises were very determined to reorganize the enterprises, with a high level of consciousness and urgency. They made reorganization the major focus of their work. The leaders set examples and daringly confronted problems. During enterprise reorganization, each of the factories paid close attention to basic construction and chose what aspects to emphasize, according to their particular situation. The Qingtongxia Aluminum Plant paid close attention to ideological and political work among its employees, concentrated on building material and spiritual civilization, firmly established a system of methods for production and administration activities by checking on basic-level party branches and party members, promoted ideological work for young workers throughout the factory and achieved very good results. The Xibei Bearing Plant set up economic responsibility systems at all levels using a pagoda system. They basically established a system in which everyone has a post and each post has someone responsible for it, with strict checking and clear-cut rewards and punishments. The Dahe Machine Tool Plant further strengthened management and administration work and established fairly complete planning and administration systems and information feedback systems. There have been breakthroughs in market forecasting, sales and services which have been warmly welcomed by the users. The Changcheng Machine Tool Plant paid close attention to developing new products and extending new technologies. In the past several years, 47 new types of products and specialized machine tools have been put into production. The Model CK7815 numerically controlled lathe has entered the advanced technical ranks of the world. The Shizuishan Steel Mill has established a fairly complete economic accounting network in financial administration and maintains a financial cost analysis system. Accounting is now done in 86 percent of the workshops and 70 percent of the work teams in the factory.

There have been improvements in the degree of the "four modernizations" of the leading bodies in these five enterprises following reorganization. There have been considerable improvements in management and administration work, which are the benefits of reorganization. From January through October of this year, the total value of output completed by these five enterprises increased by 2 percent over the same period last year, while profits increased by 56.9 percent.

Faced with insufficient supplies of billets, the Shizuishan Steel Mill depended on tapping internal potentials. Although the value of output dropped by 6.8 percent from the same period last year, profits still increased by 1.9 times, resulting in decreased production with increased income. The Xibei Bearing Plant, which had operated at a loss for 32 consecutive months, had profits of over 20,000 yuan in October, thus throwing off their deficit "hat."

12539

CS0: 4006/183

INDUSTRY

YUNNAN TO PROMOTE MICROELECTRONIC TECHNOLOGY

HK270921 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 24 Feb 84

[Text] The provincial CPC committee and the provincial people's government have recently decided to adopt four measures to accelerate the application and popularization of microelectronic technology. The province's science and technology situations are rather backward, particularly the application and popularization of microelectronic technology. The gap is even wider when compared with some advanced areas.

In order to put an end to this situation as soon as possible, the provincial CPC committee and the provincial government have recently made the following decisions:

1. The provincial government will set up a leading group for popularization of new technology and research of revolutionary science, which will be headed by two vice governors. Personnel in charge of scientific and technological work of departments concerned will join the group, under which an office will be established.
2. The province will organize the forces of various areas to carry out a widespread investigation. Then, the province will formulate medium-term and long-term plans for development of microelectronic technology throughout the province, including application and popularization of scientific and technological research and training of qualified personnel.
3. We must grasp first the province's favorable industries as well as trades which have a great bearing on various aspects, such as small-scale chemical fertilizer, fertilizer plants, textile, tobacco, sugar refining, construction materials, metallurgy, machine building, transportation, commerce, and so forth. We must make breakthroughs in trades one after another by selecting enterprises to carry out experiments, define the tasks, assign personnel in charge of the work, set time limits, draw up contracts, and set examples to lead the whole effort. We must continue to develop new sources of funds, and the provincial authorities must give support to the work.

4. We should centralize the management of the province's specialists on computer software. We should investigate immediately the employment situation of the existing personnel in the field of computer software. We must reassign misemployed people as soon as possible. We should establish micro-electronic training centers in the Kunming Polytechnical College, Yunnan University, and Yunnan Engineering College. We should accelerate the pace of training personnel, enlarge the present provincial electronic research institute, and establish a computer software development company within the provincial electronics corporation.

CSO: 4013/114

INDUSTRY

NATIONAL ELECTRONICS CONFERENCE ENDS

OW012136 Beijing XINHUA in English 1607 GMT 1 Mar 84

[Text] Beijing, 1 Mar (XINHUA)--Electronics will become one of the fastest-growing sectors in China's economy, according to a national electronics industry conference which closed here today.

An annual growth rate of over ten percent has been targeted for the electronics sector, well above the seven percent increase recorded by industry nationwide during the past five years.

The conference demanded that the electronics industry provide advanced technology and equipment to all areas of the economy to create conditions for the realization of China's modernization program.

To achieve the proposed targets, the Ministry of Electronics will:

- give top priority to large-scale integrated circuits and electronic computers;
- concentrate funds and materials in key technology and important products, including radar and telecommunications, navigation, broadcasting and television transmitting equipment;
- use modern science and technology to quickly upgrade products;
- establish sound bases for advanced large-scale industrial production through technical transformation and imports of up-to-date technology and equipment; and
- help scientists and technicians become more competent while training large numbers of senior personnel.

CSO: 4010/59

INDUSTRY

BRIEFS

SHANDONG COMMUNE-, BRIGADE-RUN INDUSTRY--According to statistics, in 1983, the output value of commune- and brigade-run industrial enterprises across Shandong Province reached 3,903 million yuan, fulfilling the annual plan by 108.3 percent, increase of 13.8 percent over 1982. These enterprises managed 830 million yuan of profits in 1983, an increase of 8 percent over 1982, and handed over about 400 million yuan in taxes to the state, an increase of 10 percent over 1982. [Summary] [Jinan DAZHONG RIBAO in Chinese 5 Feb 84 SK p 1]

SICHUAN ECONOMIC, TECHNOLOGICAL COOPERATION--Enterprises of war industry in Sichuan Province have vigorously carried out economic and technological cooperation in developing the industry for military and civilian use. The provincial national defense science, technology, and industry office signed contracts in Chengdu on 23 February with the Wanxian Prefectural Commissioner's Office for technological and economic cooperation. According to the agreement, the provincial national defense science, technology, and industry office will provide Wanxian Prefecture with scientific and technological achievements and advanced technology and equipment, will train personnel in various special fields for the prefecture, and will provide technological information and advice. In accordance with relevant state regulations, Wanxian Prefecture will pay fees to the units which provide service and equipment. [Summary] [Chengdu Sichuan Provincial service in Mandarin 2300 GMT 26 Feb 84 HK]

CSO: 4006/341

CONSTRUCTION

CHINA COMPLETES 198 KEY PROJECTS IN 1983

OW110507 Beijing XINHUA Domestic Service in Chinese 0850 GMT 9 Feb 84

[Article by reporter Ding Genxi]

[Text] Beijing, 9 Feb (XINHUA)--According to the State Planning Commission, 87 large and medium-sized projects and 111 other projects were completed and put into production throughout the country in 1983. These results were achieved after all provinces, municipalities and autonomous regions in the country and all departments of the State Council seriously implemented the State Council's policy on pooling financial and material resources to guarantee the construction of key projects and concentrated all efforts on grasping key projects.

The building of China's capital construction focuses on energy resources and transportation. Last year China made encouraging achievements in both respects.

In respect to energy resources, 25 large and medium-sized power projects and other power projects were completed and put into production throughout China last year, with generating capacity increased by 4,145,900 kW. Last year's installed capacity was greater than that of past years. Among these projects, the Gezhouba hydroelectric power station, the Fulaerji No. 2 power plant in Heilongjiang, the Douhe power plant in Hebei, the Baishan hydroelectric power station in Jilin, the Jianbi power plant in Jiangsu, the Jinzhou power plant in Liaoning and the Jingmen power plant in Hubei each completed the installation of from one to two generating sets last year, with an installed capacity of more than 200,000 kW each in the same year.

In respect to coal industry, China increased coal producing capacity by 16.98 million tons last year, including 20 mines built and put into operation by enterprises directly under the Ministry of Coal Industry. Of these mines, 14 were large and medium-sized mines built in northeast China, east China and central-south China where coal was in extremely short supply, with total coal producing capacity increased by more than 10 million tons, constituting over 70 percent of the total coal output produced by the departments of the Ministry of Coal Industry. Among the projects put into operation, large mines with an annual coal output of more than 900,000 tons included Liujialiang mine in Xuangang Mining District, Shanxi; Dongpang mine in Xingtai, Hebei;

Panji No. 1 shaft in Huainan; Tayan No. 1 mine and Lingquan open-cast mine in Zhalainguoer in Nei Monggol and two mines in other places.

In the field of petroleum industry, China overfulfilled last year's capital construction plan by 15.8 percent. A number of oil and gas wells were built in Daqing, Liaohe, Shengli, Zhongyuan, Huabei, Dagang and other old oil areas, with crude oil producing capacity increased by more than 8.1 million tons and natural gas producing capacity increased by 300 million cubic meters.

China also continuously sped up the construction of transportation projects. In the railway departments, 12 large and medium-sized and other projects were completed and put into production last year, including new railways of 601 km and multiple tracks of 424 km open to traffic and electrification of railways of 544 km completed. The part of the construction process of nine key railway projects, organized by the State Planning Commission in accordance with rational time limit, was finished according to plan in 1983. The harbors on the sea coast were constructed with good results. As a result, China increased its harbor handling capacity by 17.45 million tons. These key harbor construction projects included the first-stage project of Qinhuangdao coal wharf, Tianjin salt wharf and Zhanjiang phosphate ore wharf.

Last year, a number of key projects in the fields of light and textile industries, building material industry and military industry were also completed or basically completed. They included the Yantai synthetic tannery and Hebei's Jidong cement plant.

CSO: 4006/341

DOMESTIC TRADE

ENTERPRISE CONSOLIDATION PROGRESS, FUTURE DISCUSSED

Beijing JINGJI RIBAO in Chinese 28 Dec 83 p 1

[Article by Wang Lang [3076 2597]: "Commerce Department Telephone Conference Makes Arrangements for Next Year's Enterprise Consolidation Work"]

[Text] On the evening of 27 December, the Commerce Department convened a telephone conference and asked that the commerce and food departments and the supply and marketing cooperatives of each locality accelerate the pace of enterprise consolidation and strive to have 70 percent of the enterprises complete their consolidation tasks in 1984.

Jiang Xi [1203 5045], Commerce Department deputy director, pointed out in the discussion that those commercail enterprises of each locality (including food enterprises and supply and marketing cooperatives) which have already launched comprehensive consolidations add up to more than 53,000 or 30.6 percent of the total number of enterprises. There are more than 17,000 enterprises that have been checked and accepted as qualified, or that have completed their consolidations and are waiting to be checked and accepted. This amounts to 10.1 percent of the total number of enterprises. The national commercial enterprise consolidation effort has not completed the task originally set for 1983. Therefore, whether it is possible to secure enterprise consolidation in 1984 is of decisive significance to the mission of overall success in consolidation.

Jiang Xi requested that each locality work hard to revise the leading bodies of all enterprises in the first half of next year and to allow the new leading bodies to be able to shoulder the leadership work of enterprise consolidation. He also suggested four ideas on how to do a good job in the 1984 enterprise consolidation: 1. Do a good job on the consolidation plan, and implement the enterprise consolidation's system of job responsibility by fixing the responsibility for consolidation on the heads of leading cadres. 2. Conscientiously do a good job of investigating, checking and accepting and quicken the pace--under the precondition of guaranteed quality and quantity. Be certain not to make a mere token effort. 3. Make the effort to make up deficits and increase surpluses of one of the major components of enterprise consolidation. Emphases

should be placed on securing grain, pigs, cattle, sheep, poultry, eggs and vegetables and on the work of grassroots-level supply and marketing cooperatives in making up deficits and increasing surpluses. This will permit a clear improvement in the economic benefits of the enterprise.

4. Strengthen leadership, deal well with the relationship between enterprise consolidation and party consolidation and conscientiously effect party consolidation, and then the enterprise consolidation and other work will not go wrong.

12510

CSO: 4006/229

DOMESTIC TRADE

IMPROVEMENT OF JIANGXI'S COMMERCIAL WORK URGED

Beijing JINGJI RIBAO in Chinese 3 Jan 84 p 2

[Article by Li Houxin [2621 0624 0207]: "Sense of Urgency Needed to Improve Quality of Commercial Enterprises"]

[Text] Zhao Zengyi [6392 1073 4135], secretary of the Jiangxi Provincial CPC Committee and governor of Jiangxi Province, recently said at a provincial commercial work conference that since commerce is facing as serious a challenge as industry, great efforts must be made to improve the quality of commercial enterprises.

Zhao Zengyi said: "Commercial work is facing a new situation totally different from the past. First of all, rural areas are now developing from a self-supporting natural economy to commodity production. Economic diversification is expanding on a broad scale. This has set a higher demand on purchasing and marketing work. Second, the competition for the same kind of commodities is becoming more acute. The masses are becoming more selective about commodities. This has set a higher demand on both the quantity and quality of commodities. Third, with the reform of the economic system the collective and individual economy has developed. This has not only supplemented state-run commerce but has also created rivalries in competition."

Zhao Zengyi also said: "To face the challenge, we must make great efforts to improve the quality of commercial enterprises. We must have a sense of urgency. We should overcome ideas of inertia and complacency, advocate an enterprising spirit, substantially improve the quality of enterprises and make a great breakthrough in the economic results of enterprises."

Zhao Zengyi contended that to improve the quality of enterprises, we should do a good job in the following tasks: First, we should focus our efforts on enterprise consolidation. At present, we should first do a good job in consolidating the leading bodies of enterprises. We should quicken our step in this work. We should not wait for party and government organs to complete their reforms. Second, we should do a good job in training staff members and workers to enhance their political consciousness, raise their managerial and technical skills and bring up experts in production and business. Third, we should focus on improving management and service quality.

Zhao Zengyi emphasized that in order to confront the challenge of commercial work, we must correct our guiding ideology and uphold the socialist orientation. Only by doing so can we accelerate commodity circulation, invigorate the urban and rural economy, satisfy the people's needs, improve economic results and increase fund accumulation.

12302

CS0: 4006/267

DOMESTIC TRADE

SHANGHAI SETS RETAIL SALES RECORD

Shanghai JIEFANG RIBAO in Chinese 2 Jan 84 p 1

[Article by staff correspondent Chun Xiang [2504 4382] and staff reporter Gao Xiaoxiao [7559 5135 4562]: "Shanghai Sets Highest Record in Total Retail Sales"]

[Text] According to a correspondent and a reporter of this paper, the market in Shanghai has in recent days experienced an unprecedented period of prosperity. Food, clothing and articles of daily use are all enjoying brisk sales. The sluggish sales of many commodities in the early part of last year have become things of the past. It is estimated that the total retail sales in the municipality last year reached a record 10.6 billion yuan, or 9.8 percent higher than the figure for the previous year. The busy season is back again and sales figures are expected to continue their upward climb.

The brisk sale of various commodities in the market is indicative of the higher living standard of the people and the increased purchasing power in society. The timely relaxation of the policy on supplies has also resulted in the enlivening of the consumer market. With the development of production, there is an increasingly abundant supply of industrial products in daily use. Except for broad-name bicycles and sewing machines, coupons are no longer required for purchasing industrial products. As a result of the sharp reduction in the prices of synthetic fabrics and certain plastic products, there has been an upsurge in the sale of such products since last year. Synthetic fabrics, large quantities of which had been stockpiled, have become hot items. The commercial departments, having adopted the practice of supplying commodities directly to the small retail stores, the individual enterprises, the extended stores and double agencies in the urban areas and the suburban counties, have contributed greatly to the rapid flow of commodities by negotiating for the delayed payment for stockpiled or slow-selling commodities or for making payment after the commodities have been sold.

With the improvement in the livelihood of the people, changes have taken place in the demand for various commodities. In the matter of clothing, instead of asking merely for certain popular products, the people are now insisting on comfort and style. As regards articles of daily use, the people, who used to be satisfied with certain well-established brand-name products of good quality, are now asking for new products of yet a higher quality. As for food products, whereas most people used to ask for cheap and ordinary products,

many are now insisting on fine and high-quality varieties. To cope with these changes, great efforts have been made by the industrial and commercial enterprises to strengthen market investigation and research, to adjust the product mix and to develop new products, new designs and new varieties. Taking clothing textiles as an example, there are now more designs and varieties than ever before. Whereas woollen fabrics were in short supply a few years ago, they are now readily available. Stores selling exclusively woollen fabrics as well as large department and cotton cloth stores are regularly stocked with coarse and finely-knit woollen fabrics of 500 or 600 designs and varieties and synthetic textiles with as many as 1,000 designs. Commodities in daily use, which have been repeatedly upgraded and updated, can now meet the needs of the various classes of consumers. The 9-inch 12-frequency channel television sets have been replaced by 12, 14, 16, 19 and 22-inch black and white or color television sets, of which over 1.4 million are produced annually.

Although the commodity supply situation in the municipality is generally favorable, certain problems need to be looked into. With the increase in the level of consumption, the demand for commodities continues to rise. Thus, we must deal with the problem of how to further upgrade the quality of commodities, how to develop a wider variety of products, how to upgrade and update products, and how to increase the production of commodities that are in demand. As for food products, due to the inadequacy of facilities and the limited processing capacity, the needs of the consumers have yet to be adequately met. In addition, in making production plans, certain industrial departments and units have shown a preference for turning out products of high output value that are capable of netting high profits and an aversion to the production of low-grade products which, while low in price, low in output value and low in profit, entail the trouble of processing. It is the earnest hope of the vast masses that the industrial and commercial departments will show a correct attitude in their operations, adopt the policy of selling in volume at a smaller profit and make available a plentiful supply of low-grade and low-priced commodities of good quality. Some industrial and commercial departments, instead of improving the quality and reducing the cost of their commodities as a means of raising economic results, sell their old products as new at higher prices at the expense of the consumers. Such practices, which are tantamount to increasing prices under false pretenses, are inimical to the interests of the masses, are highly undesirable, and should be stopped.

9621

CSO: 4006/249

DOMESTIC TRADE

WIDESPREAD RUSH TO PURCHASE AGRICULTURAL, SIDELINE PRODUCTS REPORTED

Beijing SHICHANG in Chinese 19 Dec 83 p 1

[Article by Liu Xueyuan [0491 1331 3220]: "Widespread Practice of Driving Up Prices and Rushed Purchases of Agricultural and Sideline Products in Some Cities and Counties of Sichuan and Guizhou"]

[Text] During the busy season of procuring agricultural and sideline products this year, I spent one month visiting more than 10 cities and counties in Sichuan and Guizhou and witnessed a widespread practice of driving up prices and rushed purchases. The average state procurement price of edible fungus is about 6 yuan per jin: in Guangyuan County, Sichuan, it was raised to 11.5 yuan. This county had an output of 200,000 jin, but now, 450,000 jin has been procured. As a result, the prices of the neighboring counties have been raised. In the suburbs of Guiyang, the procurement price of edible fungus has risen to 13 yuan per jin. Eucommia was procured by the state at 1.3 yuan per jin. In Zhijin County, Guizhou, the price has been raised to 5 yuan per jin. Duck feather was originally procured at 1.74 yuan per jin; this year, the price offered at the outset by the Baishiye Food Products Plant in Baxian, Sichuan, was 2 yuan. When the supply and marketing cooperatives heard of this, a price of 2.1 yuan per jin was announced. The food products plant then further raised it to 2.3 yuan per jin. The rush to purchase lacquer, tangerines, yellow day lilies, and beef cattle is also fairly common. The driving up of prices and the rush to purchase agricultural and sideline products are fraught with serious consequences. First, natural resources are destroyed. Attracted by the high prices, some peasants are apt to "kill the goose that lays golden eggs." According to the statistics of the Guizhou Provincial Chinese Medicinal Herbs Company, 6 million eucommia trees have been felled or destroyed by stripping in the province. Of the 2.5 million eucommia trees planted by the people of Qianxi County, 2 million have been felled. Palm trees, under normal conditions, can be stripped for 11-12 batches each year. Now, because of the high price, they are stripped for 18-19 batches at one time. Some of these trees have been stripped bare, or sold to the highest bidder to be stripped in anyway he likes. In Zunyi Prefecture, there were 33.9 million palm trees in 1978; now, only some 15 million remain. Second, this practice interferes with the state's procurement plan. Pishan County, Sichuan, produces sea chili to be supplied to other places. Because many units have raised the price and joined the rush to purchase it, the procurement task could not be completed. In Guizhou this year, 30,000 beef cattle have to be procured according to plan. Actually, only 6,160

head could be obtained. In Dazu County, Sichuan, the total output of peanuts this year was more than 1 million jin, and the grain bureau planned to procure 380,000 jin. However, only 50,000 jin could be obtained.

Tongliang County, Sichuan, has done fairly well in checking this practice. This county is one of the main producing areas of sea chili in Sichuan, and had an output of 1.4 million jin this year. Before the harvest, the county government held a meeting of the responsible persons of the units concerned, and adopted two resolutions: First, the supply and marketing cooperatives should support the production with funds and technology, and should enjoy priority in purchasing. When these cooperatives have completed their procurement tasks, the peasants can sell them on their own. Second, the county should set a unified price margin to ensure that the producers can receive increased income for increased output and that the dealers can make their profits, and that the price margin is acceptable to the consumers. Tongliang County produced 14 million jin of tangerines this year. The county government handled the procurement in the same way and, as a result, no unit whatsoever could enjoy any monopoly which would make it difficult for the peasants to sell their own fruits and no price hike or rushed purchase was permitted.

9411

CSO: 4006/247

DOMESTIC TRADE

ECONOMIST CALLS FOR STUDY OF CHINESE CONSUMPTION PATTERN

Shanghai WEN HUI BAO in Chinese 4 Jan 84 p 3

[Article by Yin Shijie [1438 0013 2638], professor and head of the Economics Department, Xiangtan University: "We Must Initiate Research into the Chinese Pattern of Consumption"]

[Text] Consumption forms an important link in reproduction in society, representing as it does an important aspect of production in society. It also assumes increasing importance with the development of the economy in society. It was pointed out at the 12th CPC Congress that, in the 20 years between 1981 and the end of the century, the total output value of our industrial and agricultural production will quadruple, that the income of the people in the cities and rural areas will double and that the material and cultural living standard of the people will reach the "comparatively well-off" level. Both the increase in the income of the people and the achievement of the "comparatively well-off" standard are related to consumption. That is to say, consumption forms an important component of the strategy for the development of our economy and our society.

The pattern of consumption reflects the main features of consumption as well as its inherent laws. The intensification of the study of the socialist pattern of consumption and further inquiry into the special features, the contents and the laws of development of the pattern of consumption peculiar to China are, therefore, matters of great consequence both in theory and in actual practice.

First, research into the pattern of consumption in China helps us to determine the direction, the level and the rate of increase in the development of consumption and to set up the strategy for the development of consumption and consumer products. By acting in line with the actual circumstances in our nation, it will make it possible for us to better satisfy the ever-increasing material and cultural needs of the people and to meet the demands made by the basic economic laws of a socialist society.

Second, research into the Chinese pattern of consumption enables us to determine the proper structure of consumer goods and the pattern of consumption by taking full advantage of our resources and by developing our national economy according to a ratio.

Third, research into the Chinese pattern of consumption contributes to the establishment of a socialist material and spiritual civilization. The socialist pattern of consumption reflects the relationship between socialist production and the special features of the socialist way of life. By satisfying consumer needs, it will be possible for us not only to satisfy the increasing material needs of the people, but also to meet their increasing cultural needs, to heighten their consciousness in the communist ideology and to continue to develop the socialist spiritual civilization.

How should we go about strengthening research into the Chinese pattern of consumption? What are the contents and methods of such research?

First, it is necessary to study the pattern of consumption with special Chinese features. There are, for instance, 800 million peasants out of a population of 1 billion. In addition to a poor foundation to start with, the original level of consumption is low. That being the case, it is only possible to raise the level of consumption by gradual degrees and not at a rate which has no bearing to the existing level of production. Although we have an abundance of resources, the size of the population is such that the per capita land area and natural resources are rather limited. Thus in order to promote consumption, we must make the most of our advantages and avoid exposing our disadvantages by using those of our resources which are in abundant supply and by avoiding the use of those which are in short supply. To meet consumer needs, we must give consideration to such matters as reasonable prices, practicality, comfort and convenience and avoid the practice prevalent in the Western nations of acquiring large quantities of consumer goods at an enormous waste. The consumer goods which we acquire should serve to promote our physical and mental well-being, our overall development and the healthy growth of a new generation under communism.

Second, we must study the contents of the consumer pattern with Chinese features. For instance, we must, on the basis of the development of our productive power, the increased income level of the people and the traditional consumer habits of the people, engage in a study of consumer needs and changes in their development, of the effect which the increased purchasing power of the people in the cities and rural areas have on the amount of consumption and the structure of consumer products and of how to organize the supply of consumer products to meet changing consumer needs. Again, we must, on the basis of the various factors which affect the level of consumption, engage in a specific analysis of the rate of increase in the level of consumption at different periods and in different years, of the specific standard which marks the "comparatively well-off" level to be achieved by our nation by the end of the present century, of the specific means by which the "comparatively well-off" level may be attained and, on the basis of a general increase in the level of consumption by the people, of how to reduce the gap in the level of consumption by the people, of how to reduce the gap between the cities and rural areas, between the various regions and between the various types of workers. Furthermore, we must, on the basis of the increased level of consumption, engage in a study of the structure of consumer products in the whole nation, the different regions and the various groups of residents and an analysis of the factors which affect the structure

of consumer products. We must, in particular, engage in a study of the effect which the increased level of income has on the structure of consumer goods, of the standard which can be considered reasonable in the structure of consumer goods, of how to make it reasonable by gradual degrees and of how to engage in the development of the structure of industries, products and consumer goods in a coordinated manner. We must also study how changes in the pattern of consumption can be used to develop production and to raise the level of consumption, how, on the basis of the existing level of production, to set up a proper ratio between the rate of increase in collective consumption and individual consumption, and how to take advantage of the communalization of housework to create more leisure time and periods of relaxation. On the basis of the scientific socialist concept of values and well-being, we must learn how to offer people guidance in the purchase of consumer products, how to oppose remnant feudal and capitalist ways of thinking, how to eliminate spiritual pollution and how to carry forward the socialist spiritual civilization.

Third, we must study the trend of developments and the laws in relation to the pattern of consumption, such as the trend and the laws pertaining to the increase in the level of consumption, the trend and the laws in regard to the structure in the consumption of commodities and labor, the trend and the laws in relation to the structure of food, clothing, articles of daily use, housing and transportation and materials for subsistence and enjoyment, the trend and the laws in regard to the development of the structure of the materials, and the trend and the laws applying to individual and collective consumption.

Fourth, we must look into proper ways to study the pattern of consumption. We must study the socialist pattern of consumption on the basis of Marxist economic theories. We must dare to probe into new situations and new problems arising from the consumer economy on the basis of actual facts, and we must have a clear understanding of the laws inherent in the consumer market. Unless we engage in investigation and research in depth and in a systematic and thorough manner, unless we have in our possession a large quantity of factual materials, and unless we make economic forecasts systematically, we cannot expect to understand the various problems that exist in the consumer market. We must also study the situation, problems and experiences in the consumer economy of other socialist countries and derive benefit from such studies. As regards the experiences of capitalist countries, we must criticize what reflects the capitalist way of living while drawing lessons from what can be of benefit to ourselves. Finally, we must strengthen the analysis of quantities and engage in research on how to use the quantities relationship to reflect the various economic relationships in the consumer market.

The consumer economy is wide in scope. We must fully understand the role played by the consumer market in the development of the economy in society, strengthen our research into the pattern of consumption and render our services to socialist projects of construction.

DOMESTIC TRADE

SMOOTH PROGRESS OF RESTRUCTURING FOR COOPERATIVES REPORTED

Beijing JINGJI RIBAO in Chinese 30 Dec 83 p 2

[Report: "Restructuring of Supply and Marketing Cooperatives in Various Localities Progressing Smoothly"]

[Text] In 1983, notable headway was made in restructuring the supply and marketing cooperatives of various localities.

According to statistics, 95 percent of the supply and marketing cooperatives at the grass-roots level throughout the country, numbering more than 35,000, have completed the liquidation of share rights and the distribution of dividends, the recruitment of new members, the establishment of cooperative member congresses, and the democratic election of executive and supervisory council members. Of some 2,100 supply and marketing cooperatives at the county level, more than 80 percent have already held their members congress and separately formed joint supply and marketing cooperatives. Through restructuring, they have taken the first steps toward restoring the commercial character of their cooperation, the democratic character of their management, and the flexible character of their operation.

During the restructuring, the supply and marketing cooperatives in various localities assigned large numbers of personnel to do overall checkups on the cooperative members' share capital, which amounted to some 360 million yuan, and 90 percent of these share rights were liquidated. Dividends amounting to more than 95 million yuan and overdue for some years were also paid. The mass support for supply and marketing cooperatives is now strengthened. Some 40 million households were recruited as new members throughout the country, and the increase in share capital accounted for an addition of 250 million yuan. At present, 80 percent of all peasant households in the country have become shareholders.

At the same time, democratic elections were held for the leading bodies of many supply and marketing cooperatives at the county and basic levels. More than 20,000 young workers, including temporary and contracted workers, who have high political consciousness and are energetic, conversant with their trade, and competent in management, have been appointed to leading positions. The conventional idea that "cadres can only be promoted but not demoted, and workers and staff members cannot become cadres" has been

shattered. Now, the average age of members of the cooperative leading bodies is only 40 at the basic level and 45 at the county level, lower than before by 5 or 6 years.

Through restructuring, the supply and marketing cooperatives have gradually become more active and offered a wider range of services. The number of outlets, particularly the supply points for the means of agricultural production and the procurement points for agricultural and sideline products, has also been increased. The supply and marketing cooperatives in many localities are now busily selling grain, oil, pork, poultry, eggs and other agricultural and sideline products after completing their tasks of state procurement. They are also busily selling building materials and farm machines and their accessories and spare parts which are welcomed by the peasants. The work of supporting commodity production in the countryside has also been intensified. Through joint agricultural-commercial operations in various forms and at different levels, many cooperatives have closely combined the peasants' economic interests with their own, provided more active services before, during and after production, and promoted the production of local commodities.

9411

C80: 4006/247

DOMESTIC TRADE

BRISK SALE OF SHANGHAI INDUSTRIAL PRODUCTS REPORTED

Shanghai JIEFANG RIBAO in Chinese 8 Jan 84 p 1

[Article by staff correspondent Tan Maonan [6151 5399 0589] and staff reporter Gao Xiaoxiao [7559 5135 4562]: "Shanghai Industrial Products for Daily Use Selling Well Throughout China"]

[Text] In the national supply meeting recently held for the first half of 1984, most of Shanghai's industrial products for daily use enjoyed brisk sales because of the readjusted product mix and its adaptability to market demand. The volume of transactions for Shanghai products accounted for 48 percent of the total national volume.

Conditions reflected in the supply meeting showed the present excellent situation of the production of industrial goods for daily use. The sources of supply and the varieties of products are abundant, and the commodities in short supply are continuing to decrease. On the whole, Shanghai products enjoy certain advantages. In the supply meeting, the supply stations at all levels in Shanghai displayed many sample products for selection by other localities, thus affording excellent facilities for the transactions. The volume of transactions for soaps, scented and medicated soaps, plastic slippers, tooth paste, wash basins, blocks, sewing needles, fountain pens, transistor radios and tape recorders accounted for more than half of the total national supply. Despite the surplus of supply sources elsewhere, the vests, cotton jerseys and pants, bedsheets, towels and other items produced in Shanghai could still be sold according to plan, and supply could not meet demand. The output of doorlocks in many areas exceeded demand, and that was why in some areas, the commercial departments had to sell them at factory prices. The Shanghai products enjoyed brisk sales even at the original prices. The supply of fountain pens and ball pens was plentiful throughout the country and there were keen competitions among different regions. Shanghai has a complete assortment of these pens. They have the upper hand in competition because of the many varieties of colors and designs and fine quality. The volume of transactions accounted for 80-90 percent of the national total. Shanghai's goods for daily use also had the advantage of diversified varieties, large outputs, fine qualities and attractive designs and styles in addition to a fairly large number of brand-name products. These goods have good reputations among the broad masses, and the volume of their transactions exceeded that of the previous year.

The advantages of Shanghai goods, as shown in this national supply meeting, are inseparable from the nationwide commercial information network set up by the industrial and commercial sectors in Shanghai. Through this network with its criss-crossing communication channels reaching out in all directions, within and beyond Shanghai, various types of economic information can be collected or exchanged, thus providing various necessary reference materials and numerical data for conducting market forecasts. In the case of Shanghai-produced radios, for example, after special surveys, the output of large desk-type sets was curtailed while that of pocket-size transistor radios was increased. At this national supply meeting, 1.53 million sets of these transistor radios, a 90 percent increase over last year, were sold. This was the best sales record in recent years. Alarm clocks were overstocked in other areas, but Shanghai, after ascertaining the national market conditions, produced a number of new and popular products, and sold 410,000 units, a 94 percent increase over last year, at the meeting. Thanks to the effective system of information feedbacks, Shanghai was able to speed up the readjustment of its product mix. Thus many of its products, such as multi-function receiver-recorders, large-screen TV sets and floor electric fans were all well received at the meeting. More than 760 new varieties and designs of cotton knitted fabrics, a 50 percent increase over last year, were displayed at the meeting. Many localities vie with one another to buy these goods and the volume of transactions was 43 percent larger than that in the corresponding period last year.

However, some noteworthy shortcomings were also revealed at the meeting. Because of the rapid development of production in various parts of the country, all with the common goal of catching up with or surpassing Shanghai, the gap between Shanghai and the other areas is gradually narrowing, and many Shanghai commodities have lost the upper hand. In the case of textile goods, for example, the quality of many varieties produced in Jiangsu has caught up with, or even surpassed that of Shanghai products. At the meeting, there were nearly 20 new products produced in Jiangsu--new products which Shanghai was incapable of producing. Among them were filament yarn fabrics, deformation woolen fabrics for topcoats, sleek polyester-cotton fabrics, sleek pure polyester fabrics and so forth. The shapes of Shanghai's aluminum products, such as teapots, rice sieves, steaming gratings and dippers, all made of aluminum, are inferior to those of some other areas.

The participants at the supply meeting agreed that Shanghai's industrial sector should further overcome its conceit and complacency, intensify its study of economic information and persevere in producing easily marketable goods of novel designs, attractive appearance, fine quality and low prices. Only thus can it continue to take the lead in the national market and remain victorious in competition.

9411

CSO: 4006/247

FOREIGN TRADE

SHANGHAI GAINS MOMENTUM IN ECONOMIC, TRADE RELATIONS

Shanghai JIEFANG RIBAO in Chinese 7 Jan 84 p 1

[Article by staff reporter Gao Xiaoxiao [7559 5135 4562]: "Shanghai's Foreign Economic Relations and Trade Continue To Pick Up Momentum"]

[Text] Under the guidance of the party's policy of opening to the outside world, Shanghai has in recent years made new progress in developing its foreign economic and trade relations, and a new situation has developed.

Much progress has been made in the establishment of economic and technical cooperation with foreign countries. The number of Chinese-foreign joint ventures and cooperative ventures is increasing day by day. Up to the moment, over 10 Chinese foreign joint ventures have been established in the municipality. In addition to such jointly invested limited companies engaged in wool spinning, pharmaceuticals, perfumes, automatic meters, elevators and food, the Shanghai Yaohua Pilkington Glass Company, jointly set up with a British firm for the production of embossed glass, has recently been established. A contract was also signed toward the end of last year for the establishment of the Shanghai Universal Toy Company, Ltd., the first jointly invested and operated toy company set up with a foreign firm in the Minxing Export Industrial Zone. Up to now, over 200 projects of economic and technical cooperation have been established with foreign firms. The Shanghai Shipbuilding Industry Corporation has resorted to various means to develop production technology in cooperation with the concerned foreign countries. The Jiangnan Shipyard, for instance, has signed a technical contract with the Mitsubishi Heavy Industries Company, Ltd. for improving production management in different stages, while the Shanghai Shipyard has reached agreement with a company in the Federal Republic of Germany to jointly design a 12,300-ton "unmanned" container ship. This company has also concluded contracts with foreign firms to bring in patents. Contracts have been signed by the Light Industries Bureau with clients in such countries as the Federal Republic of Germany, the United States and Italy for setting up production lines of high-quality candies with fillings, chocolate wafers, high-grade copperplates and soft drinks in giant-size bottles.

The number of importers of advanced techniques and equipment from foreign countries has increased and the pace at which they are brought in has been quickened. Whereas there was only one importer in the municipality, namely,

the Import Department of the Shanghai Foreign Trade Corporation, the number has now grown to include the Shanghai Investment and Trust Company, the Shanghai Machinery and Equipment Import and Export Branch Company, the Jinshan United Trading Company, the Aijian Company, the Shanghai Instruments and Electronics Import and Export Company and the Shanghai Huajian Company. These seven units have all been authorized to handle imports. With the increase in the number of import units, the municipality has since 1983 signed contracts with the Federal Republic of Germany, Japan, the United States, Sweden, Switzerland and Hong Kong for the import of over 200 items. Worthy of special note is the fact that the total amount of orders placed by the Import Department of the Shanghai Foreign Trade Corporation with foreign countries, Hong Kong and Macao in 1983 came to 1.26 times the amount for the same period in 1982.

The multiple patterns of foreign trade and the flexibility of operations have contributed to the continuing expansion of the foreign trade market. Up to the present, Shanghai has established trade relations with over 10,000 clients in 160 countries and regions, exporting over 3,000 major categories of commercial commodities, or one-sixth of the total amount exported by the nation. Large-scale trade talks, held for the first time in late June last year, resulted in the adoption of such flexible measures as combining industry and trade and instituting direct contact between producers and sellers, much to the satisfaction of the clients. The number of transactions has exceeded the plan by almost 100 percent. The various foreign trade departments, aside from adopting such normal diversified international commercial practices as filling orders according to the patterns supplied or the trademarks assigned, barter and neutral packing, have made special efforts to accept bids from foreign firms to process materials and to assemble parts imported from abroad. Up to the moment, the commercial commodities being processed and assembled for foreign clients in this way include over 40 items such as synthetic fiber clothing, woollen sweaters, acrylic fiber clothing, crochet dresses, embroidered dresses, gloves, fur coats, polyester flowers, brassieres, straw hats, wristwatches, radios and suitcases. In addition, the foreign trade departments have developed compensation trade with foreign traders and concluded agreements with businessmen in Japan, the Federal Republic of Germany, the United States, Great Britain, Italy and Hong Kong involving some 100 medium and small-scale compensation trade items including almost 100 products of the textile and other light industries, machinery, electronics, chemicals and medicines.

In cooperation with the production departments, the foreign trade departments in Shanghai have also engaged in importing and processing raw materials in short supply domestically and in exporting the finished products which the industries in the municipality are capable of producing, which have a good export market and which are capable of earning large amounts of foreign exchange. Four methods have been adopted for processing imported materials for export. The first method is to use local subsidiary materials to supplement the major imported raw and semifinished materials and to export the finished products after processing. The second method is to process imported subsidiary and packaging materials and major domestic raw and semifinished materials and to export the finished products. The third method is to import

materials required domestically to engage in breeding or in exchange for export products. The fourth method is to import small-scale equipment and instruments in support of the effort of the production departments to increase the amount of export of certain products. Up to the present, raw and semi-finished materials imported to Shanghai include such major categories as textiles, chemicals, metals and minerals, leather, materials and steel. Over 200 types of processed products, or half of the total amount of exports from the municipality, are being exported to over 70 countries and regions such as the United States, Japan, Canada, Chile, Holland, the Federal Republic of Germany, France, Kuwait and Hong Kong.

More and more contracts have also been signed for undertaking engineering projects and labor services abroad. As a result of the establishment of the Shanghai External Economic and Technical Cooperation Company last year, further achievement has been made by the municipality in the extension of economic, technical and labor services abroad. The municipality has undertaken over 20 complete sets of foreign assistance projects and over 10 projects of technical cooperation. The municipality has also sent more than 2,000 people to over 10 countries to engage in technical and labor services.

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CSO: 4006/249

FOREIGN TRADE

SHENZHEN SPECIAL ECONOMIC ZONE MAKES RAPID GAINS

Guangzhou NANFANG RIBAO in Chinese 11 Jan 84 p 1

[Article by Li Tongbo [2621 6639 3134] and You Yanling [3266 7159 0407]:
"Constructions in Shenzhen Special Economic Zone Proceed at Record Pace"]

[Text] How did construction projects go in the Shenzhen Special Economic Zone during the past year? At a meeting of cadres levels called by the Shenzhen party committee yesterday morning, Liang Xiang [2733 3276], secretary of the party committee and mayor of Shenzhen, jubilantly announced that in the course of the past year, the pace in bringing in foreign capital, in engaging in projects of construction and in establishing a spiritual civilization was unprecedented since the establishment of Shenzhen as a special economic zone. As Comrade Hu Yaobang put it, "We have established Shenzhen as a prototype of special economic zones and we are going full steam ahead." Indeed, gratifying achievements have been made by all the departments concerned.

First, there has been a breakthrough in bringing in foreign capital and in the number of people who came to the special economic zone to discuss investment. In the past year, for instance, the Special Economic Zone Development Co received 1,130 groups of clients numbering 3,006 persons, or 8 times the number for the previous year. The number of foreign traders who came to Shenzhen also showed a marked increase. Visits were made by representatives of large financial corporations and transnational corporations from such developed countries as Japan, the United States, Great Britain, France and the FRG. Representatives were sent by such large financial groups as Mitsui, Sanyo, Matsu Shita and Kaneimatsugou of Japan to Shenzhen to discuss investment. The city has signed 878 agreements with foreign traders involving investments totaling HK\$2.6 billion, of which over HK\$900 million has actually been committed. Of the HK\$2.6 billion, some HK\$1 billion was involved in agreements in industrial investment, an amount exceeding the total for the previous 8 years. Among the dozen or so enterprises which have begun production may be mentioned the Sanyo Electrical Co and the Huafa Color Television Manufacturing Co. Brought in at the same time was a set of advanced technical equipment such as printed circuit plates, large-scale integrated circuits, computers and remote-control pilotless flying instruments. The production value of solely invested and jointly invested enterprises showed a dramatic increase, amounting as it does to 53 percent of the gross production value of the industries of the city.

Second is the rapid development of basic engineering construction projects and improvement in the investment climate. During the last year, 1.3 million out of 3.47 million square meters of construction of 437 projects was completed. Preliminary engineering work has basically been completed in the new city covering 24 square kilometers in Shangbu, Luohu. Thirty-seven of the 55 standard streets have been completed and a network of roads extending in all directions has more or less been set up. Work was started on 63 buildings of between 18 and 48 floors and 18 buildings have been completed. A start has been made in setting up telecommunications, water supply, electricity, flood prevention, gas and sewage treatment. A new modern city is rising up before our eyes.

Third, the value of industrial production came to 673 million yuan, showing a sizable increase over the planned quota for the year, or 80 percent over the amount for the previous year. Revenue receipts came to over 250 million yuan, or 10 percent over the planned amount for the year. The living standard of the people continued to rise. Average annual wages came to 1,366 yuan for workers in state enterprises and 450 yuan for peasants, showing an increase of 25 and 4 percent respectively over the previous year.

That the Shenzhen Special Economic Zone was able to chalk up such gratifying results during the past year is due mainly to the fact that the Shenzhen municipal party committee was able to carry out in a resolute and unwavering manner the series of policies and principles formulated by the party Central Committee for the establishment of the special economic zone, to greatly strengthen international publicity work and to take positive steps in readjusting the preferential treatment policy. Furthermore, the firm stand taken by the party committee in dealing a blow to serious economic crimes and criminal activities and the increased efforts it has made to establish a spiritual civilization has created a stable climate for investment and for bringing in foreign capital.

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CSO: 4006/248

LABOR AND WAGES

ANHUI URBAN LABOR EMPLOYMENT MEETING CLOSES

(W021217 Hefei Anhui Provincial Service in Mandarin 1100 GMT 27 Feb 84

[Text] The Anhui Provincial conference on urban labor employment closed in Jieshou on 25 February.

The conference pointed out: Anhui Province achieved a great deal in increasing urban labor employment, and successfully placed 1.1 million unemployed persons during the period 1979-1983. The urban unemployment problem has been alleviated, but it has not yet been settled, once and for all. Unemployment is still rising in a few places.

The conference called on leading cadres at all levels to adopt effective measures to settle the unemployment problem. It put forward the following tasks and measures, in connection with urban labor employment in Anhui for 1984:

1. To place approximately 150,000 urban unemployed;
2. To further develop the collective economy and settle the urban unemployment problem;
3. To offer good vocational and technical training to unemployed youth; and
4. To set up more labor service companies.

Su Hua, standing committee member of the provincial party committee, vice governor of Anhui and head of the provincial leading group for placing unemployed persons, addressed the conference. (Zheng Zemin), director of the provincial labor bureau, made a report, entitled: Do Still Better Work in Job Transfer, Implement the Guidelines of Reform and Create a New Situation for Labor Work. The conference also discussed the provisional regulations governing certain questions concerning urban collective economy, formulated by the Anhui Provincial People's Government.

CSO: 4006/341

TRANSPORTATION

DETAILS ON BUILDING DATONG-QINHUANGDAO RAILWAY

HK281018 Beijing GONGREN RIBAO in Chinese 13 Feb 84 p 3

[Article by Qiao Tingxiang: "China's First Heavy-Duty Train Line--Datong-Qinhuangdao Railway"]

[Text] The Datong-Qinhuangdao double-tracking and electrifying railway is not only a key construction project decided by the state but also the first heavy-duty train line built in our country. The Datong-Qinhuangdao Railway is specifically built for transporting coal. At the initial stage, the haulage capacity will be 6,000 tons, and conditions will be vigorously created to enable 10,000 ton trains to operate on a partial basis. In the long term, the annual freight capacity will reach 100 million tons.

Starting in the west at Datong, the Datong-Qinhuangdao railway will traverse Datong County, Yangyuan County, the Sanggan River Valley, and the watershed of the Jundao mountain; it will intersect the Jingtong [0079 6639] railway and the Jingcheng [0079 2110] railway near Huairou County, cross the southern foot of the Yan Mountain, passing through Zunhua County and Qianxi County, and finally reaching Qinhuangdao. It will traverse Shanxi, Hebei, Beijing, and Tianjin. Its length will be around 630 kilometers. The entire line's design is that of a double-track electric railway. The implementation of the entire project will be divided into two phases. The first phase, a 350 kilometer, double-track, electric railway section from Datong to Huairou, will be completed in 1983. The second phase will be the 280 kilometer section from Huairou to Qinhuangdao. Initially, a single track electric railway will be completed around 1991, but key subprojects, such as bridges and tunnels, will be implemented in such a way as to accommodate a double-track railway. The principal subprojects of the entire line are around 100 million cubic meters of earthwork, 135 large and medium-sized bridges, about 60 tunnels and around 30 train stations.

The building of the Datong-Qinhuangdao railway is a major innovation in the modernization of our country's railway technological equipment and transportation organization. To achieve this innovation, we must take other countries' successful experiences as our reference and work according to our country's actual circumstances. In the building of the railway with its stations and shunting yards, and in transportation organization, the technological standards applicable to the Datong-Qinhuangdao line differ from those

applicable to ordinary railway lines. The length of station platforms and the effective length of sidetracks in the single track section for overtaking at stations or for passage of trains in opposite directions will be increased from 850 meters at present to 1,700 meters. The inter station distances will increase from something more than 10 kilometers at present to about 30 kilometers, so that the frequency of stopping at stations and the time spent at stations can be greatly reduced. The steel tracks of the railway line will increase in weight from 50 kilograms per meter to 60 kilograms per meter. The roadbed must also be appropriately reinforced. Computer controlled centralized dispatching equipment will be used throughout the line. An advanced optical fiber communications system will be used for part of the signalling work.

At present, the design units are vigorously grasping the submission of design documents pertinent to various subsections, and various implementation units have also started working on the roads to make preparations for implementation. It has been planned that phase one construction work will start in the second half of this year. Various departments concerned and also the provinces and municipalities concerned are giving much attention to the building of the Datong-Qinhuangdao railway. They have resolutely decided to establish a rigorous responsibility system under the auspices of centralized planning, to achieve close cooperation, to support one another, and to jointly build this railway into a specialized modern transport line which embodies economy in investment, high quality, high capacity, low transportation costs, and compatibility with our national condition.

CSO: 4006/341

GENERAL

IMPROVEMENT OF NATIONAL ECONOMIC WORK URGED

Beijing JINGJI RIBAO in Chinese 2 Jan 84 p 1

[Article by Zhang Zingfu [1728 0513 1133]: "Create a New Situation in Economic Work"]

[Text] The 12th CPC Congress set forth a strategic goal to be fulfilled by the end of this century. It formulated two steps: One is to lay a foundation in the first 10 years; the other is to revitalize the economy in the last 10 years. It also pointed out that efforts should be concentrated on two things in the first 10 years: One is the construction of key projects; the other is the transformation of existing enterprises and the promotion of enterprise technology. These are the strategic plans set forth by the CPC Central Committee. Comrades of the economic front must carry them out resolutely in the new year.

We are glad to see that since the 3d Plenary Session of the 11th CPC Central Committee, Marxist ideological, political and organizational lines have been successfully demonstrated and implemented in economic work. In light of the reality in our country, the CPC Central Committee has set forth a series of principles and policies, including the principle of "invigorating the domestic economy and opening up to the outside world," which has shown very good results in practice. Especially in agriculture, we have created a new situation and a new, dynamic atmosphere. We have also made some progress in industry, communications, commerce and urban work, implemented the "eight character" principle and improved the situation in these fields. However, they still lag behind agriculture. How do we further open up the situation in our economic work, especially the economic work in urban areas, in accordance with the principle of invigorating the domestic economy and opening up to the outside world? Leading comrades of the CPC Central Committee and the State Council constantly discuss this question and have offered some important ideas. In my opinion, the key is to solve two problems concerning the practice of eating out of the same big pot. In rural areas, we should mainly solve the "big pot" problem inside the collective economy. Once this problem is solved, the broad masses of peasants will become more enthusiastic, and the appearance of rural areas will change drastically. Of course, there are other measures, such as increasing the purchasing prices of farm products and opening up country fairs. However, the key is to solve the "big pot" problem. It can create powerful strength and great vitality.

The industrial situation is much more complicated than the agricultural situation. It has more problems. One important problem is to mobilize further the people's enthusiasm, namely to solve the "big pot" problem.

Unlike agriculture, industry has two "big pot" problems. First, we should solve a problem concerning relations between the state and enterprises to prevent advanced and backward enterprises from eating out of the same big pot. Owing to the irrationality of some rules and regulations, some localities are spurring on the advanced and protecting the backward. If this phenomenon does not change, it will be very difficult to enliven our economy. We should make enterprises compete under generally equal conditions, so that the advanced will have an easy time, the backward will have a hard time and the mediocre will manage with some difficulties. To do so, we should exert pressure on them. At the same time, we should give them energy, great vitality and autonomy to arouse their enthusiasm and change them from inactive beads on an abacus which must be moved by higher levels into active and lively economic cells. We should adopt many measures to solve this problem and enable enterprises to compete on an equal footing. We need to consider using economic levers to help fulfill the plans of our planned economy. Although we have direct and indirect planning methods, command and guiding plans and targets and we use market regulation as a supplement, we should not set planning against economic levers, because they do not conflict with each other. We should study and carry out a complete set of reforms of price, tax, credit and wage systems and many other economic levers and adopt measures to examine the economic results of enterprises under equal conditions.

Second, we should solve the "big pot" problem inside enterprises. We have done much work in this regard, such as experimenting with different forms of responsibility systems. We should continue to carry out responsibility systems in enterprises, award workers according to their work to arouse their enthusiasm and eliminate the situation in which workers get paid the same regardless of their performance. A precondition is that if we fail to solve the problem concerning relations between enterprises and the state, we cannot solve the problem concerning responsibility systems in enterprises. These two problems are related. However, this does not mean that we cannot work on and experiment with the latter before we solve the former. We can work on and experiment with it, but we will be restricted in many ways. Therefore, we must solve both "big pot" problems. When these problems are solved, we can create a new, dynamic and prosperous situation in industrial construction and urban work as we did in agricultural production.

Of course, industrial issues are complicated and are different from agricultural issues. They involve ways to carry out the whole planned economy. There are some foreign experiences we can utilize. However, our goal is to discover a socialist road with Chinese characteristics and create a model suited to our national conditions by means of practice. Our country has a large territory, a large population and a weak foundation. Different localities have different situations. Enacting reforms is a must. But when we enact reforms, we must be very cautious. We must never take hasty

actions. This year we should continue to implement the "eight character" principle, readjust the economic structure, carry out reorganization and integration and consolidate enterprises to lay a solid foundation, actively prepare for carrying out reforms and create conditions for revitalizing the economy. At the same time, we should also continue to carry out various possible economic reforms in selected units to gain experience and blaze a new trail. The Chinese people are industrious and intelligent. We also have over 30 years of rich experience in socialist construction. After practicing and exploring, we certainly will create a method and model of reform with Chinese characteristics under the CPC Central Committee's leadership.

I offer these ideas on the occasion of the first anniversary of the publication of JINGJI RIBAO. I hope that in the new year this newspaper will promote the lines set forth by the 12th CPC Congress and mobilize all staff members and workers on the economic front to make greater efforts and score new achievements to help create a new situation in economic work.

12302

CSO: 4006/267

GENERAL

CIRCULAR ON PROHIBITION OF LAND TRANSACTIONS

Beijing JINGJI RIBAO in Chinese 1 Dec 83 p 2

[Text] Continuously, in the past year, there have arisen situations in which certain rural commune brigades, state business and other institutions have bought, sold and rented collectively owned and state-owned land. In some city suburbs this problem is even more conspicuous. Certain rural commune brigades regard land as a commodity to be bought and sold or rented in order to fish for large quantities of money, goods and materials. Some land rents for several hundred, several thousand or as much as 10,000 yuan per mu per year, and some of the land offered for sale can bring in several thousand or even several tens of thousands of yuan per mu. In addition, there are some secretly negotiated terms under which the goal of land occupation has been attained by such means as renting or buying and selling buildings or fertile farmland and vegetable plots or by employing such methods as "joint building," "joint factory management" or "joint warehouse construction." This conduct is a serious violation of the constitution. The "Constitution of the People's Republic of China" stipulates the following: "No organization or individual may occupy, buy or sell, rent or by other means unlawfully transfer possession of land." China's population is large, and its cultivated land is scarce. We must fully treasure every inch of land and conscientiously safeguard the cultivated land we now have. We must resolutely put an end to this conduct of land purchases, sales and rentals. For this reason the following circular was especially prepared:

1. We must conscientiously disseminate and implement the relevant land management provisions in the constitution and in other laws and regulations. We must propagate and safeguard the tremendous significance of land and mobilize the vast number of cadres and masses to fight against the unlawful conduct of land purchases, sales and rentals.

2. Every locality must conduct a conscientious investigation of land purchases, sales and rentals and other unlawful activities. We must deal severely with cadres, particularly with typical cases wherein leading cadres set the example for others and instigate the lawbreaking. We definitely must not be overly lenient. With regard to those criminal elements who persistently exploit land purchases, sales and rentals to engage in graft and bribetaking, and illegally reap huge profits, we must investigate and affix responsibility for the crimes in accordance with the law.

3. Financial and monetary departments must bring supervisory and administrative functions into play and be empowered to refuse to accept or to pay out funds for land purchases, sales or rentals. Moreover, they should report such things to the relevant departments.

4. Administration of land in accordance with the law is a major responsibility at each level of government. Each level of government must strengthen leadership, establish and perfect land management organizations and institutions and conscientiously undertake comprehensive land management.

It is requested that the People's Government of each province, city and autonomous region report to the State Council, before the end of March 1984, on the state of problems with the investigation and of land purchases, sales and rentals.

12510

CSO: 4006/229

GENERAL

SUPPORT FOR 'THREE TYPES OF HOUSEHOLDS' URGED TO PROMOTE COMMODITY PRODUCTION

Beijing JINGJI RIBAO in Chinese 29 Dec 83 p 2

[Article by staff reporter Gao Yongyi [7559 3057 3015]: "Bank of Agriculture Managers Urge Effective Support for "Three Types of Households To Promote Commodity Production in 1984"]

[Text] It has been pointed out at the conference of branch managers of the Agricultural Bank of China throughout the nation now in progress in Beijing that the banking departments in the rural areas should render effective support to the contract households, specialized households and key households in the development of grain production and diversified operations in 1984 and that the main purpose for the extension of credit loans should be the rendering of support to the specialized grain-producing households and the specialized households both prior to and following the start of production.

During 1983, the banking departments in the rural areas, in response to the need to stabilize the system of contracted responsibilities linking remuneration with total output have, instead of rendering support mainly to the collective development of production by the communes and production brigades and teams as in the past, switched to lending their support mainly to the contractor households, specialized households and key households to promote commodity production. At present, the system of contracted responsibilities linking remuneration with total output based mainly on family operations has been adopted by over 90 percent of the total number of peasant households. Since the number of clients served by the rural banking departments has increased from some 6 million production teams in the past to some 120 million peasant households at the present time, the volume of their work has increased tremendously. To cope with the changed situation and to render support to the contract households, specialized households and key households in developing commodity production, close to 1 million workers in the agricultural banks and credit cooperatives throughout the nation have done a great deal of work since the beginning of this year. The agricultural banks and credit cooperatives in many localities have established economic files of key peasant households and the key related households system in support of their effort to expand production and to raise the commodity rate. Between January and November of 1983, loans totaling 18 billion yuan were extended by the agricultural banks and credit cooperatives throughout the nation to the "three types of households," or 1.3 times the amount for the same period in 1982. Agricultural

loans totaling 5.8 billion yuan were at the same time extended to the communes and production brigades and teams, or 38.5 percent less than the amount for the same period in 1982. This change indicates that the work done in the extension of loans in the rural areas is in keeping with the needs for their economic development.

It was pointed out at the conference that in the year to come, the banking departments in the rural areas must continue to put into effect the policy of "permitting no relaxation in grain production and engaging in diversified operations in a positive manner" and to attach importance to supporting the specialized grain-producing households and the strengthening of commodity grain bases. They must at the same time give their support to the peasants in opening up new production areas and in developing diversified operations in the vast mountainous regions, hilly areas, grasslands, water surfaces and sea and coastal areas.

It has been emphasized at the conference that in order to develop commodity production in the rural areas, the banking departments must direct their attention to the need to render their support to the specialized households which provide services both prior to and following the start of production, especially those involving feed-processing, chicken breeding, livestock breeding, science and technology, epidemics prevention and purchasing and marketing. We should stress one key area in order to improve other areas.

Aside from summarizing the work done in the banking field in the rural areas in 1983, the conference will also discuss such problems as how to continue to implement the spirit of Document No 1 issued by the party Central Committee to render effective support to the development of commodity production in the rural areas.

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